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# UPHONGOLO LOCAL MUNICIPALITY- 2018/19 ANNUAL REPORT

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## CONTENTS

GLOSSARY .....	1
ABBREVIATIONS.....	3
CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY .....	4
COMPONENT A: MAYOR’S FOREWORD.....	4
COMPONENT B: EXECUTIVE SUMMARY .....	7
MUNICIPAL MANAGER’S OVERVIEW .....	7
1.1    MUNICIPAL FUNCTIONS, POPULATIONS AND ENVIROMENTAL OVERVIEW .....	9
SERVICE DELIVERY OVERVIEW .....	16
1.2    FINANCIAL HEALTH OVERVIEW .....	16
1.3    ORGANISATIONAL DEVELOPMENT OVERVIEW .....	17
1.4    AUDITOR GENERAL REPORT.....	17
1.5 STATUTORY ANNUAL PROCESS.....	18
CHAPTER 2 – GOVERNANCE .....	19
INTRODUCTION TO GOVERNANCE .....	19
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	19
2.1 POLITICAL GOVERNANCE.....	19
2.2 ADMINISTRATIVE GOVERNANCE .....	23
<b>2.3 PUBLIC MEETINGS</b> .....	24
2.4 IDP PARTICIPATION AND ALIGNMENT .....	24
COMPONENT D: CORPORATE GOVERNANCE .....	25
2.5 RISK MANAGEMENT .....	25
<b>2.6 ANTI-CORRUPTION AND FRAUD</b> .....	26
<b>2.7 SUPPLY CHAIN MANAGEMENT</b> .....	27
<b>2.8 BY-LAW</b> .....	27
<b>2.9 WEBSITES</b> .....	28
CHAPTER 3 .....	29
CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE .....	73

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL .....	73
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE .....	78
CHAPTER 5 – FINANCIAL PERFORMANCE .....	79
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE .....	79
5.1 STATEMENTS OF FINANCIAL PERFORMANCE .....	79
5.2 GRANTS .....	80
5.3 ASSET MANAGEMENT .....	81
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS .....	82
5.5 CAPITAL EXPENDITURE .....	84
5.6 SOURCES OF FINANCE .....	84
5.7 Basic Service and Infrastructure backlogs – overview .....	84
5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW .....	85
5.9 CASH FLOW .....	88
5.10 BORROWING AND INVESTMENTS .....	89
5.11 PUBLIC PRIVATE PARTNERSHIPS .....	89
5.12 SUPPLY CHAIN MANAGEMENT .....	89
5.13 GRAP COMPLIANCE .....	89
CHAPTER 6 – audit report from the AUDITOR GENERAL AUDIT .....	90
Report on the audit of the financial statements .....	91
Report on the audit of the annual performance report .....	93
Report on the audit of compliance with legislation .....	94
Other information .....	95
Annexure – Auditor-general’s responsibility for the audit .....	97
Annexure – Auditor-general’s responsibility for the audit .....	98
APPENDIX A: Councillors, Committees Allocated and Council Attendance .....	103
APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES .....	105
APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE .....	107
APPENDIX D: FUNCTIONS OF THE MUNICIPALITY .....	108
APPENDIX E: WARD INFORMATION .....	109

APPENDIX G – RECCOMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE.....	127
APENDIX H - LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS.....	130
APPENDIX J – DISCLOSURE OF FINANCIAL INTERESTS.....	131
APPENDIX K (i): REVENUE COLLECTION BY VOTE .....	133
APPENDIX K (ii) – REVENUE COLLECTION PERFORMANCE BY SOURCE .....	134
VOLUME 2 – ANNUAL FINANCIAL STATEMENT .....	135

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Accounting Officer</b>	(a) In relation to a municipality, the municipal official referred to in Section 60 of the Municipal Systems Act; or (b) In relation to a municipal entity, the official of the entity referred to in Section 93 and including a person acting as the accounting officer
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe, “what we do”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The budget which has been approved by Council, adjusted to reflect in year virements (i.e. transfers between budgets).
<b>Auditor General of South Africa</b>	The person appointed as the Auditor-General in terms of Section 193 of the Constitution, and including a person – (a) acting as Auditor-General; (b) acting in terms of a delegation by the Auditor-General; or (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.
<b>Backlog</b>	Services or goods that have accumulated over time and are still undelivered, unattended or still not produced.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Councilor</b>	A member of a municipal council.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>External service provider</b>	An external mechanism referred to in Section 76(b) of the Municipal Systems Act, which provides a municipal service to a municipality.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>Financial year</b>	The financial year of municipalities, which ends on 30 June of each year
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>Mayor</b>	In relation to – (a) a municipality with an executive mayor: the councilor elected as the executive mayor of the municipality in terms of Section 55 of the Municipal Structures Act; or (b) a municipality with an executive committee: the councilor elected as the mayor of the municipality in terms of Section 48 of the Act.
<b>Mid-year report</b>	A report that is developed in terms of Section 72 of the MFMA and is intended to inform the council of a municipality’s mid-year budget and performance assessment.
<b>Municipality</b>	When referred to as – (a) an entity: a municipality as described in Section 2 of the Municipal Systems Act; and (b) a geographical area: a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998).
<b>Municipal Finance Management Act</b>	The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and any regulations made under the act.
<b>Municipal manager</b>	A person appointed in terms of Section 82 of the Municipal Structures Act.

<b>Municipal Structures Act</b>	The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998).
<b>Municipal Systems Act</b>	The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Basic Service Delivery &amp; infrastructure</li> <li>• Local Economic development</li> <li>• Municipal Transformation and Institutional Development</li> <li>• Financial Viability and Management</li> <li>• Good Governance and Public Participation</li> <li>• Cross cutting Intervention</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outcome indicator</b>	An indicator that measures the quality and/or impact of an output regarding a particular objective.
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance agreement</b>	An agreement as contemplated in Section 57 of the Municipal Systems Act.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan (SDBIP)</b>	A detailed plan approved by the mayor of a municipality in terms of Section 53(1)(c)(ii) of the Municipal Finance Management Act for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate – (a) projections for each month of – (i) revenue to be collected by source; and (ii) operational and capital expenditure by vote; (b) service delivery targets and performance indicators for each quarter; and (c) any other matters that may be prescribed; and include any revisions of such plan by the mayor in terms of Section 54(1)(c) of the Municipal Finance Management Act
<b>Vote</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

## ABBREVIATIONS

<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General of South Africa
<b>APR</b>	Annual performance report
<b>CAPEX</b>	Capital expenditure
<b>CFO</b>	Chief Financial Officer
<b>CIP</b>	Consolidated Infrastructure Plan
<b>COGTA</b>	Cooperative Governance and Traditional Affairs Department
<b>EPWP</b>	Expanded Public Works Programme
<b>CPMD</b>	Certificate Programme In Management Development
<b>DoE</b>	Department of Energy
<b>DOT</b>	Department of Transport
<b>EXCO</b>	Executive Committee
<b>HR</b>	Human resources
<b>FMG</b>	Finance Management Grant
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>IAS</b>	International Accounting Standards
<b>ICT</b>	Information and communication technology
<b>IDP</b>	Integrated Development Plan
<b>IGR</b>	Intergovernmental relations
<b>LED</b>	Local Economic Development
<b>KPA</b>	Key Performance Area
<b>KPI</b>	Key Performance Indicator
<b>LGSETA</b>	Local Government Sector Education and Training Authority
<b>LLF</b>	Local Labour Forum
<b>LUMS</b>	Land Use Management System
<b>MEC</b>	Member of the Executive Committee
<b>MFMA</b>	Municipal Finance Management Act
<b>MHS</b>	Municipal Health Services
<b>MIG</b>	Municipal Infrastructure Grant
<b>MMC</b>	Member of the Mayoral Committee
<b>MPAC</b>	Municipal Public Accounts Committee
<b>MSA</b>	Municipal Systems Act
<b>MTAS</b>	Municipal Turnaround Strategy
<b>MTREF</b>	Medium-term Revenue and Expenditure Framework
<b>OPEX</b>	Operational Expenditure
<b>NSDP</b>	National Spatial Development Perspective
<b>PMS</b>	Performance Management Systems
<b>PR</b>	Proportional representation
<b>RDP</b>	Reconstruction and Development Programme
<b>SALGA</b>	South African Local Government Association
<b>SCM</b>	Supply chain management
<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>SDF</b>	Spatial Development Framework
<b>SMART</b>	Specific, measurable, attainable, realistic and time bound (criteria)
<b>SMME</b>	Small, medium and or micro-sized enterprise
<b>ULM</b>	uPhongolo Local Municipality
<b>WSP</b>	Workplace Skills Plan
<b>APRC</b>	Audit Performance Risk Committee

## **CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY**

### **COMPONENT A: MAYOR’S FOREWORD**

Honourable Speaker  
Deputy Mayor and Executive  
Honourable Councillors  
Amakhosi aseNdlunkulu  
Municipal Manager and all Heads of Departments  
All stakeholders  
The electorate  
Ladies and gentlemen

### **VISION**

In presenting this Annual Report for year ending June 2019, we are focused to our vision which is "uPhongolo Municipality will ensure an all-inclusive socio-economy by providing services that will yield a better life for all by 2030". This report is therefore a reflection of how far have we travelled in realising this vision. It also informs the amount of effort still to be put in coming closer to the realisation of this vision and the total emancipation of our people

### **KEY POLICY DEVELOPMENTS**

Our strategies and operations as the Municipality always takes a direction towards addressing the National triple challenges i.e. poverty, inequality and unemployment. It is for this reason that whenever we develop our plans and strategies we ensure the alignment with Provincial Growth Development Plan, which also guides us when developing our IDP.

In order to achieve this, we have a clear mission and core values, which are our ethics as an Institution. We had to be very innovative and strategic in the sourcing, prioritisation and spending the limited resources.

The partnership that the municipality had with Services SETA showed that with co-ordination between Local Government and other key stakeholders, we could address poverty and improve skills at the same time. The success of the this program saw no less than 1320 youth being offered life changing skills and at the same time financial reward to enable the youth to kick-start their long lives in the labour market.

The current economic condition in the country has a direct negative impact on the unemployed households resulting in our youth not being able to go to tertiary institutions due to lack of sufficient funding. While, the NSFAS and many other government and private institutions have participated in the call to assist deserving students with funding, our Municipality saw it as its duty to assist students with registration fee to the amount of R10 000 to enable our youth to enter the institution of higher learning.

The municipality had adopted the IDP which is by the people and for which its implementation will change many lives for the better. The strategic objectives in our IDP is focused on, amongst other things, the development of key community infrastructure, which would improve peoples' lives. The Municipality did not only focus on the number of infrastructure items but mostly the quality of infrastructure that all residents could be proud of in utilising. It was for that reason that the Municipality limited the number of new projects but to focus on the current and old projects by investing more quality additions and features in our Halls, Sport fields, gravel roads and more.

The municipality received grants from MIG and INEP to implement capital projects for the benefit of our Community. These grants are conditional and such conditions are monitored by Cogta and DOE. The prudent spending of our limited resources and reporting on such is key to getting additional funding and support from Cogta and DOE. For the year under review, the municipality was able to comply with spending condition of the two grants.

The success of the municipality to deliver on its mandate is partly linked to the available human resources. For the year under review, we have improvement in the filling of key posts as a formal appointment was made for the Director Corporate Services. The institution is also required to have a functional internal audit and audit committee. The municipality was also able to final the appointment of the Internal Audit Manager as well as get a new Audit Committee. In all, most vacant key post were filled by the end of the financial year.

### **PUBLIC PARTICIPATION**

Our local citizens are our greatest stakeholder in the planning and general workings of the Municipality. It is our citizens that give Councilors mandate when they come to office and it is fitting that they are consulted and reported back on the municipal's operation.

The Office of the Speaker monitors monthly ward community meetings in all the 15 wards within uPhongolo to ensure that they do take place. This enables the councilors to give progress and get feed back from the community about their IDP projects and programs in turn it limits public protest by the community.

The municipality has adopted the Sukuma Sakhe Operation which enables us to identify challenges and address them in a pro-active manner. A number of deserving families benefited from the Sukuma Sakhe Housing project in the year under review. Many challenges faced by our communities are address through War Rooms by engaging other stakeholders in the National and Provincial government to assist on the needs of the community.

### **FUTURE ACTIONS**

Our focus in the next coming years will not shift from our mandate and vision of providing quality services that will yield a better life for all. Providing a healthy, clean and safe environment. However, our greatest focus will be on the economic development and sports development thus creating decent and sustainable jobs for our people. With the initiatives and partnerships we have with different organisations, we are looking forward to the realisation of our vision.

## **Conclusion**

We are pleased and proud to report to our electorate that as uPhongolo Municipality we have received an Unqualified Audit Opinion in the year 2018/2019 which is for the second time running. We will strive to maintain the audit opinion or better by obtaining a clean audit.

We will forever be committed to our communities by doing all that is possible to improve their lives for the better.

[I thank you](#)

CLLR BC Nhlabathi

Mayor

## **COMPONENT B: EXECUTIVE SUMMARY**

### **MUNICIPAL MANAGER'S OVERVIEW**

uPhongolo Local Municipality was established and operates in terms of Chapter 7 of the South African Constitution. Section 152(1) outlines various objects of local government and it is on these objects that this municipality governs and serves its community in a democratic manner.

The municipality is made up of 15 wards for the financial year of 2018/19. The Council comprises of 29 Councillors.

Although all managers and employees are responsible for risk management in their own areas, the municipality has a MANCO Risk committee to address this important task. The MANCO Risk committee reports to the Audit Committee on a quarterly basis.

The Fraud prevention strategy which was approved by the Council is being implemented and this will help reduce malpractices within uPhongolo municipality. We also have instituted an enterprise risk management framework, which also includes the risk management policy.

The Municipality received an unqualified audit opinion with emphasis of matter in the 2018/19 financial period. This is due to the desire by the municipality to continuously improve its financial management systems and deliver better quality service to its residents.

There is a continuous audit action plans emanating from matters reported by Internal Audit and AGSA. The plans are monitored by MANCO at regular intervals.

The Municipality managed to maintain a sound a sound cash position with a current ratio of 1.4:1 for the 2018/19 financial year. Essentially, management applied and influenced sound financial and good governance principles. Revenue collected was 98%, which was 7% above the budgeted for during the year. Staff costs were contained within the acceptable threshold of 25% to 40%.

Our LED unit continued with the process to consolidate our key economic development priorities as reflected in 2018/19 IDP, which primarily focuses on creation of sustainable jobs, mitigation of the HIV epidemic and promote positive living amongst others. This resulted in creation of 50 EPWP jobs and sustained for the year by 30 June 2019. HIV/ AIDS awareness events were also organised during the year under review.

Various key service delivery improvements achieved during the year under review confirmed the alignment and implementation of the IDP, SDBIP and Council resolutions. These include, amongst others, the completion of the crèches, access roads, tar roads, community halls, electrification of our communities and sport field. The financial year 2018/19 saw electrification of 298 households who did not have electricity before. A programme has been launched to electrify all the houses in our communities.

In June 2019, the Annual Risk assessment process was successfully completed which included the fraud risk assessment. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment process and the internal audit planning process are aligned so that timely and relevant risk information is available to Internal Audit when they are devising their audit coverage plans.

uPhongolo Local Municipality has six service departments, namely, the Municipal Manager's office, Finance Department, Technical Department, Community Services Department, Corporate Services Department and Planning Development & Local Economic Development (currently under the umbrella of the Technical Services Department). The Directors who are accountable or reporting to the Municipal Manager head the six departments. The Planning and Development & LED Department has recently been created by unbundling the Technical Services Department.

The vacancy in the Section 54 and 56 employees was one, Director Corporate Services. The Municipality prioritised the filling of the post and eventually filled it during the year. This has improved service delivery and implementation of Council resolutions, IDP and the SDBIP.

The Performance Management System (PMS) guiding document is the approved PMS framework and Policy that is aligned to the Planning and Performance Management Regulations including Appointment and Conditions of Employment of Senior Managers issued on the 17 January 2014.

The high level process cycle of the PMS is designed to monitor the departmental performance in the following key performance areas; service delivery, municipal transformation, financial viability, good governance and cross-cutting interventions.

## 1.1 MUNICIPAL FUNCTIONS, POPULATIONS AND ENVIROMENTAL OVERVIEW

### Service delivery highlights:

**Electricity** – Households with access to electricity were considered to be above the minimum requirement as the 20 Amp is provided by Eskom. More electrification projects are being rolled-out on an annual basis and as such, the 18% is used as an indicator.

**Refuse** – Households with refuse being collected by the Municipality was considered to be above minimum standard as the standard collection is twice weekly for all households being provided by the service.

**Sanitation** - Households with access to flush or chemical toilet and VIP toilets were considered to be above minimum standards. The sanitation function is provided by the District Municipality and the access of 70% above the minimum standard is as per the 2011 statistics.

**Water** - Households with piped water in their yard and at a communal stand are considered to be above minimum standard and as such, a 27% backlog was noted in the 2011 census information. This function is also being provided by the District Municipality.



MR W M NXUMALO

ACTING MUNICIPAL MANAGER

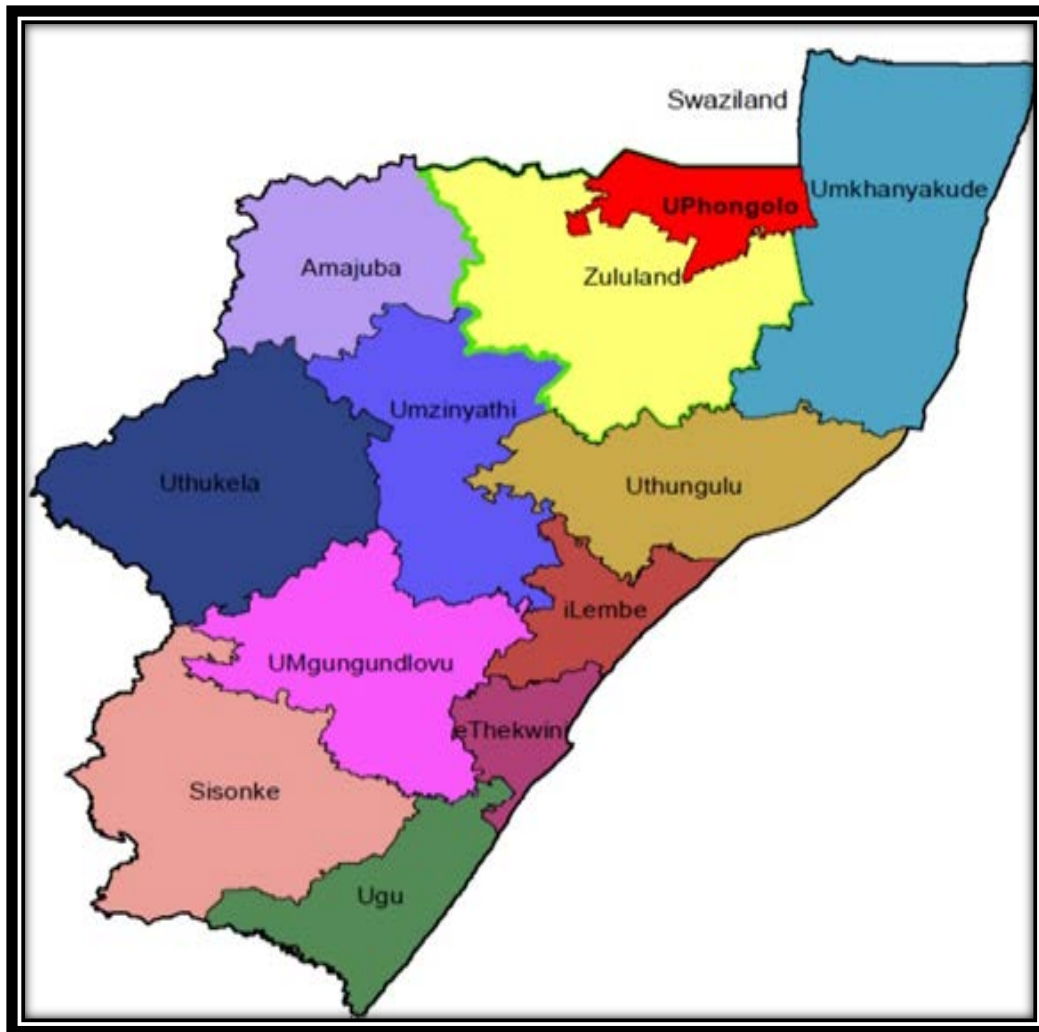


Figure 1.0

The uPhongolo Municipality is one of five local municipalities located within Zululand District Municipality (DC26) in KwaZulu Natal Province. It is strategically located along the N2, adjacent to the eSwatini Border and the Mpumalanga Province. It forms part of LEBOMBO SDI Corridor as a gateway to eSwatini and Mozambique using its Golela and Onverwacht border gates respectively.

uPhongolo Municipality has a relatively diverse economy, with a particularly strong primary and secondary sector, in the form of Agriculture and retail and game farming, which together contribute over 30% of the Municipality's GVA. General Government has a comparatively small economic role in the municipality as compared to the rest of the region, although it remains the biggest sectorial contributor (18%).

Surrounded by a unique natural scenic beauty, with endless water resources uPhongolo Municipality is the only place in South Africa where you can do tiger fishing in a competitive environment when we host the tiger fishing tournament. UPhongolo boasts of vast tracts of untapped natural resources coupled with original natural creations of magnificent landscape and green scenery which manifests itself as a paradise and a jewel that creates more opportunities with a huge potential to elevate tourism in our area to higher level.

Amongst other key offerings the area of uPhongolo has the following key attributes:

- Gold mining at Klipwaal;
- Sugar cane farming;
- Untapped Rural tribal land;
- Two significant dams – Pongolapoort dam and Mbivane Dam;
- Sugarcane processing factory (TSB) which is due for expansion to include biofuel from the cane residue;
- Ithala Game reserve and many other tourist attractions like game farms including the big five experience;
- Gateway to eSwatini and Maputo through the Golela border post;
- Proximity to King Shaka airport and the Dube trade port;
- Unrestricted height freight route for abnormal trucking from Durban to Johannesburg on the N2 passes through uPhongolo; and
- Rich Zulu Kingdom heritage.

## DEMOGRAPHIC PROFILE

**Table 1.2: Area Statistics**

Indicator	uPhongolo Municipality
Area	3 239km <sup>2</sup>
Population	141 247
Households	34 228
Number of settlements	104
Urban areas	1 town and 4 small urban settlements
Rural population %	82% (18 165 households)
Urban population %	18% (3 947 households)

**Source: Quantec (2015)**

The population growth rate of the uPhongolo Municipality (including Golela) increased from 2003 to 2013. The population growth rate can be used as an indicator for measuring demand for fuel within the area. The population of uPhongolo has increased from 122 653 in 2004 to 147 679 in 2014; this represents an average annual increase of 1.9% over the period ranging from 2003- 2013. The number of households grew from 27 280 in 2004 to 27 958 in 2014.

**Table 1.3: Life statistics**

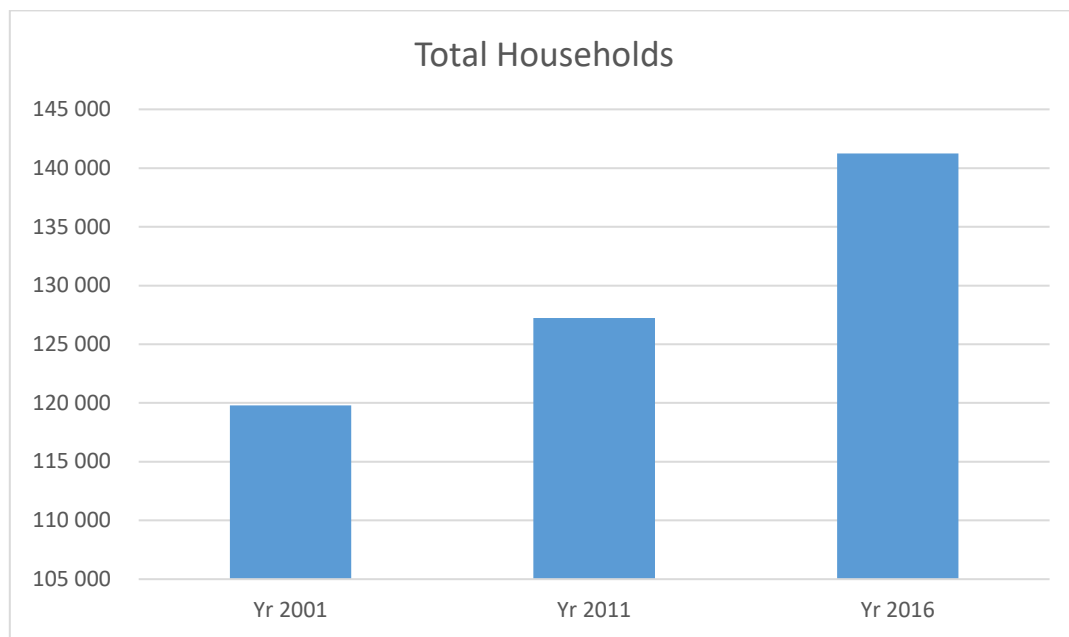
Indicator	Description	Value
Gender breakdown	Males	46.94%
	Females	53.1%
Age breakdown	0 -14	51.78%
	15 -64	43.93%
	65+	4.29%
Life expectancy	In 1998	65 years
	In 2011	48 years

Age breakdown analysis shows a decrease of 12.47% in the 15 to 64 age group meaning that uPhongolo has become a breeding and training ground of the South African labour force were upon attaining qualifications and experience the working age group departs for greener pastures. As such, major interventions through the provision of access roads, electricity and proper sanitation are required as our priority areas in the IDP. This kind of investment will bring development that can lure our citizens to stay and develop with us instead of migrating

## Population

	2001			2011			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	7 663	8 038	15 701	8 838	8 962	17 800	9 887	9 706	19 593
10-14	8 266	8 097	16 364	8 042	8 120	16 162	9 787	9 458	19 245
15-19	8 398	8 492	16 890	8 155	7 910	16 065	9 202	9 245	18 447
15-19	7 704	8 169	15 873	7 961	7 897	15 858	9 526	9 008	18 534
20-24	5 249	5 941	11 190	6 380	7 087	13 467	7 728	8 200	15 928
25-29	3 968	4 639	8 607	4 997	5 766	10 762	6 146	6 946	13 092
30-34	2 959	3 792	6 751	3 354	3 894	7 247	4 329	4 848	9 177
35-39	2 476	3 335	5 811	2 615	3 192	5 806	2 558	2 822	5 380
40-44	2 343	3 018	5 361	2 021	2 793	4 814	1 866	2 658	4 524
45-49	1 881	2 373	4 254	1 635	2 554	4 188	1 388	2 178	3 566
50-54	1 476	1 689	3 165	1 665	2 318	3 983	1 122	1 799	2 921
55-59	1 072	1 270	2 342	1 315	1 873	3 188	1 288	1 867	3 155
60-64	990	1 471	2 462	970	1 467	2 438	741	1 626	2 367
65-69	600	1 085	1 685	613	992	1 605	666	1 223	1 889
70-74	479	1 082	1 561	538	1 022	1 560	488	957	1 445
75-79	324	480	805	263	685	948	224	643	867
80-84	236	426	662	184	573	757	144	323	467
85+	94	205	298	182	406	588	109	541	650
<b>Total</b>	<b>56 178</b>	<b>63 602</b>	<b>119 781</b>	<b>59 728</b>	<b>67 510</b>	<b>127 238</b>	<b>67 198</b>	<b>74 049</b>	<b>141 247</b>

Source: Stats SA – Community Survey 2016



## **Municipal Functions**

The Municipality's core object is to deliver the basic services in line with the legislation to improve the lives of the uPhongolo Community and its visitors. The community needs are identified through the public participation process of the Integrated Development Plan (IDP) which are then budgeted for and implemented.

The focus for the year was on the Electrification of areas without electricity, Construction and maintenance of roads, Provision of RDP Housing for the needy, solid waste removal, Job creation (local economic development) and Construction Community Hall, Sport fields and Crèches. See Annual Performance report for details of level of services provided for 2018/19.

## **ECONOMY GROWTH**

UPhongolo has 50 km<sup>2</sup> of sugarcane and subtropical fruit plantations surrounding it using drastic irrigation systems. The town of Pongola has thrived as a result of the canal system and a sugar mill that was built which together with the sugarcane plantations and government employment sustains the livelihood of the people of uPhongolo. The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and Richards Bay then Durban in the south. It also connects with eSwatini just to the north of the uPhongolo Municipal area. This is the primary development corridor in uPhongolo.

The Pongola area also has many tourist attractions including Game Farms and Lodges, the Pongolapoort Dam, famed for its Tiger Fishing and surrounding wildlife, cultural history and much more. The town of Pongola is wedged between the eSwatini border and the Pongola River and has all the modern facilities, Supermarkets, Hospital, Small Airport, 9 (hole) Golf Course, Tennis and Bowls. Pongola has an unparalleled selection of excellent game camps and lodges in which to spend the night. Around Pongolapoort Dam there are 10 lodges in the Pongola Game Reserve which has four of the Big 5.

The two main rivers in the municipality are the Mkuze River in the south and the (Pongola) River in the north, the latter feeding the Pongolapoort Dam, located on the eastern boundary of the municipality. Agriculture and tourism form the basis for the municipality's economy. Major development components consist of game and nature reserves, agricultural activities, traditional settlement areas and some urban nodes.

The public sector is the dominant provider of employment opportunities; however, the informal sector is expanding, primarily based on the taxi industry, informal financial services and taverns. From the data provided by Quantec, 13% of households receive no income, 99.8% of the population earn between R 801 and R 1600 per month, while 8% of the population earn between R6400 and R12 000 per month. There are couple of households in the Municipality that earn R 25 000 monthly.

The figure bellow illustrates the percentage of economically-active people in uPhongolo Municipality. The figure shows that 17% of the population is unemployed, that 30% of the population is employed, 53% of the population is not economically-active.

Education is an indication of human resources and the skills available within the municipality. Data provided from Quantec indicates 15% of the population over the age of 15 have no schooling qualification of any grade. This is concerning given the importance of education in obtaining employment and contributing to the economy. 39.7% of the population have completed matric and only 0.7% has tertiary qualifications.

The Municipality has also embarked on several activities to speed up the growth of uPhongolo. This includes the investment in a flea market complex which was completed in 15/16 and well as the Imbube Cultural Village which is still under construction. This market is expected to benefit from the free flow of tourists visiting the many game reserves in the area, as well as encourage locals to be productive as there is a selling place for their products. There has also been a newly developed mall at uPhongolo which has since seen the attraction of other major retail chains into this growing town. These opportunities have not only increased job opportunities but also have increased the quality of lifestyle for the local citizens as they can now shop at the best shops in South Africa.

uPhongolo will see major structural developments in the near future as more and more retailers are establishing their mark on our map. As a municipality we aim to ease and facilitate this development by providing state of the art infrastructure. The municipality hopes to speed this up through training of small informal sector business to provide building blocks services, so they can take advantage of the current boom in the building section that is buffered nationally by the current low interest rates

## SERVICE DELIVERY OVERVIEW

The Municipality has two basic services that it provides to the Pongola community, namely, refuse removal and electricity. Due to low urban settlement area when compared to the Farmland and Tribal settlement area, the refuse removal services is only provided to the urban settlement area. This effectively translates to 15% or 4 364 of the Pongola households.

The Municipality managed to complete a Sport field and a Community Hall while good progress was made in the connection of 298 households to the electricity grid in the 2018/2019 financial year.

Job opportunities and training of youth in various skills in partnership with other stakeholder saw no less than 1320 beneficiaries.

## 1.2 FINANCIAL HEALTH OVERVIEW

### Financial Overview

The municipality was highly reliant on grant funding for the financial year ended 30 June 2019, the grant funding equaled to 69% of the municipal revenue. The service charge like refuse as well as property rates contributed 26% to the total revenue of the Municipality in 2018/2019 financial year.

The municipality is looking into implementing the revenue enhancement strategy with the hope that the picture above could be improved.

Operating Costs		
Detail	R	% of OPEX
Employee Cost including Cllr Remuneration	92914079	35%
Repairs and Maintenance	8 913 666	3.3%
Finance Costs	2 214 936	0.8%

The employee related cost to total operational cost amount to 35%, which is below the norm of 40%, allowed. The repairs and maintenance cost is at 3.3% of OPEX and this appears to be lower than the norm of 8% due to the fact that this figure is for the materials only and the labour component is included in the employee cost line item.

The finance cost shows a 0.8% of OPEX which is within the acceptable norm.

### 1.3 ORGANISATIONAL DEVELOPMENT OVERVIEW

The Municipality previously had challenges in attracting and retaining skilled senior management. The Municipality has however managed to fill key senior management vacancies including Director of the Corporate Services. There has also been an improvement in the overall municipality vacancy rate at it was at 9.15% by end of the financial year. This improvement means more human resources have been added to assist the municipality to improve efficiency in service delivery to communities.

Training and development of employees and Councillors was also prioritized and the number of training attendance was above expectation. This translates to the overall development of the Municipality.

### 1.4 AUDITOR GENERAL REPORT

The municipality received an unqualified audit opinion in the 2018/19 financial year which is for the second year running. These results are indicative of the internal controls that management has implemented and are working effectively.

The issues that the Auditor General has highlighted in their Audit Report will be prioritized for correction in a form of an Audit Action Plan. Monitoring of the Audit Action Plan by Council is key to eliminating the risk of a negative audit opinion in future.

## 1.5 STATUTORY ANNUAL PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

## **CHAPTER 2 – GOVERNANCE**

### **INTRODUCTION TO GOVERNANCE**

An accountable government is one that is transparent and accessible. This chapter reports on governance by uPhongolo Local Municipality. This section provides an overview of the framework of the institutional management and governance structures through which the municipality implements its strategies using the appropriate resources.

The following key aspects are reported on:

- Mechanisms for political and administrative governance
- Intergovernmental relations
- Public accountability and participation
- Corporate governance

uPhongolo Municipality is one of the five (5) municipalities under Zululand District Municipality. The municipality has fifteen (15) wards and most are rural. The municipality has a Council of 29 Councillors. As part of ensuring accountability and clean administration, five Portfolio Committees have been established in terms of section 80, of the Municipal Structures Act 117 of 1998.

### **COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The Council play its oversight through established committees, which sit on monthly basis for a purpose of checking whether departments are able to implement resolutions taken by Council.

#### **2.1 POLITICAL GOVERNANCE**

##### **Legislature**

The legislature consists of the Council, the Speaker of Council, Chief Whip, and Council committees, Section 79 portfolio committees and standing committees.

##### **Council**

The Council consists of 29 elected Councillors. According to the MSA of 2000, the role of Council committees is to engage in a meaningful discussion on matters related to Phongola's development.

Council is responsible for approving municipal laws, the IDP, budget and tariffs. Furthermore, council through its various committees monitors and scrutinises delivery and outputs. In relation to public participation, Council is responsible for facilitating stakeholder and community participation in the affairs of the Municipality as described by the MSA.

The Office of the Chief Whip was established to create synergy and to maintain discipline among councillors from various political parties. The role of the Chief Whip of council covers both the political and administrative domains of Council, with emphasis on political aspects.

The Roles and responsibilities of the Chief Whip include the following:

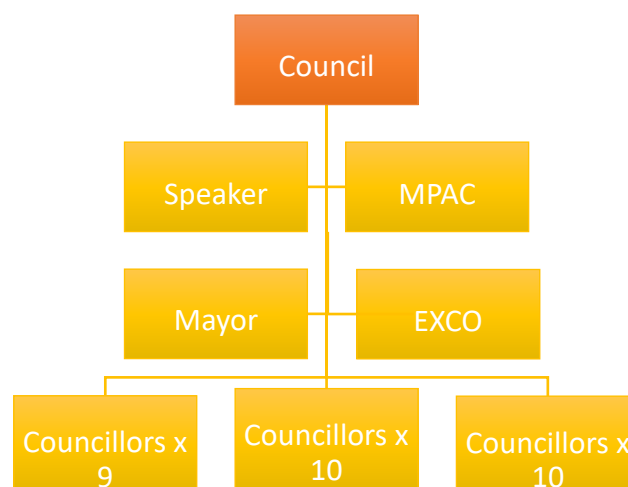
- Ensuring quorate Council and communities of council meetings;
- Promoting and maintaining a positive party-to-party relations;
- Ensuring that Councillors attend Council and committee meetings;
- Representing their party on the Programme Committee;
- Ensuring that party members are familiar with the Standing Rules and Orders of Council;
- Organising the work of Councillors in a party caucuses;
- Nominating speakers for debates;
- Assessing the performance of Councillors; and
- Deciding the party allocation of councillors to committees.

### **Oversight Committee of Council**

The section 79 oversight committees are chaired by councillors who are designated full-time councillors and these chairpersons are elected by Council. The responsibilities of the Section 79 committees are as follows:

- Scrutinising reports referred to them by Council emanating from the Mayoral Committee and advising Council accordingly
- Providing an Advisory legislative role.

### **POLITICAL STRUCTURE**



## Political Structure Municipal Councilors 2017/2018



Cllr B.C Nhlabathi (PR)  
Hon Mayor-Exco Member



Cllr B Mvelase (Ward 10)  
Hon Deputy Mayor EXCO Member



Cllr V.G Masuku (PR)  
Hon Speaker



Cllr E N Buthelezi (ward 4)  
EXCO member



Cllr I.A Stokfeer (ward 11)  
EXCO member



Cllr K.E Nxumalo (PR)  
EXCO member



Cllr D Nyawo (ward 13)



Cllr DM Nkanjabanga (PR)



Cllr FF Simelane (ward 1)



Cllr N.T Mavimbela (ward 5)



Cllr JC Theron (PR)



Cllr JS Myeni (ward 15)



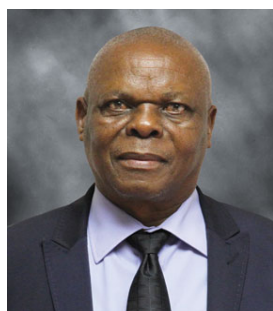
Cllr MS Masuku (PR)



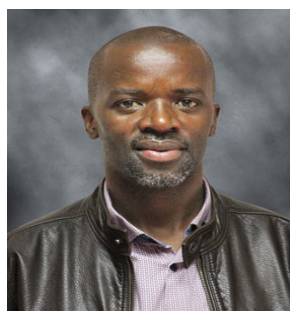
Cllr C.B Ndlangamandla (W8)



Cllr N Mntungwa (PR)  
(MPAC Chairperson)



Cllr NJ Mkhwanazi (ward 2)



Cllr NP Mavuso (ward 6)



Cllr PS Ntshangase (ward 3)



Cllr RB Shongwe (PR)



Cllr SR Ntshangase



Cllr SV Ndlangamandla (ward 12)



Cllr J.W Buthelezi (PR)



Cllr VM Sikhosana (PR)



Cllr AZ Thabede (PR)



Cllr PS Sibeko (PR)



Cllr B.C Gumbi (ward 9)



Cllr N.E Nxumalo (ward 14)



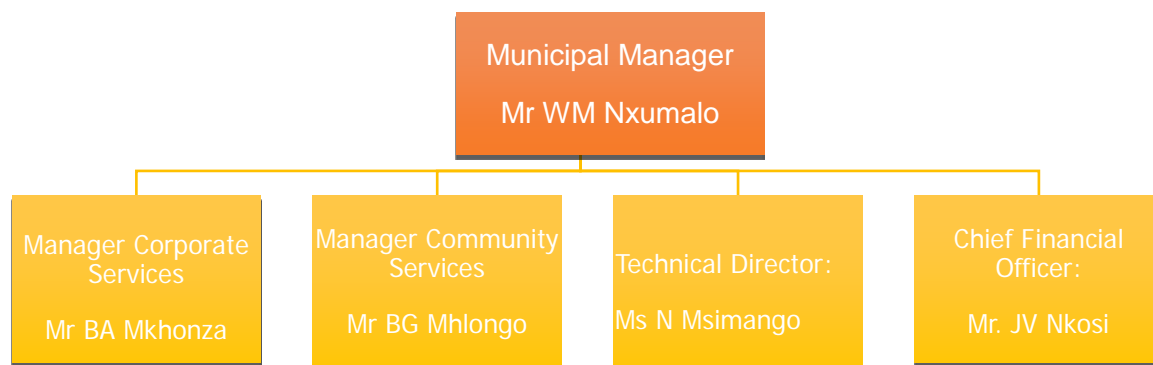
Cllr TA Ntshangase (ward 7)



Cllr G.H Mpanza (PR)

## 2.2 ADMINISTRATIVE GOVERNANCE

The administration is accountable to the executive through the Municipality Manager. Through various structured committees, reports are generated and submitted to the Mayor and the Mayoral Committee in order to comply with applicable legislation, to seek and provide updates on service delivery, as well as to explore new and innovative ways to provide services to the community.



## COMPONENT B: INTERGOVERNMENTAL RELATIONS

Municipality maintains healthy relations with all government entities. Most Government structures are always ready to assist when required. It must be mentioned that COGTA provides the most valuable support to this Municipality through regular meetings, finance projects, training of personnel and placements of critical personnel when necessary. It also engages with the district Municipality especially on sanitation and water services. It must be mentioned however, that we currently have a huge backlog in that particular department and we have initiated talks with the district municipality in order to resolve them

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

#### 2.3 PUBLIC MEETINGS

##### COMMUNICATION, PARTICIPATION AND FORUMS

Despite the legislative imperative, local government is, by essence, obliged to maintain effective communication with the communities. Likewise, the communities have a responsibility to participate and be involved in the affairs of the municipality. At uPhongolo local Municipality, engagement with communities is ensured through the following structures and mechanisms:

- IDP and budget road shows;
- Council meetings where we want to start including traditional leaders participation;
- Mayoral Izimbizo;
- Print media newsletters, letters and notices for tendering and appointment;
- Electronic media, notably the website and the municipal video system; and
- Open door policy which allows communities that are disgruntled to walk in and lodge their complains with the relevant officials

The effect by the municipality to engage our key stakeholders was rewarded by COGTA in a form of an award for the Public Participation certificate in the 2018/2019 financial year.

The annual report that is tabled before Council is found on the website and distributed to communities.

#### 2.4 IDP PARTICIPATION AND ALIGNMENT

The Municipal Manager has a delegated responsibility from the Mayor, to prepare the IDP for the Municipality. During the IDP review, the following key elements were addressed within the confines of the approved IDP Process Plan and Framework Plan:

- Comments were received from the various role-players in the assessment of the IDP Review documentation;
- Certain elements of the IDP were reviewed in terms of Council's new priorities, including the Spatial Development Framework;
- New information was included, and

- The IDP was aligned with newly completed Sector Plans

IDP Participation and Alignment Criteria	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## COMPONENT D: CORPORATE GOVERNANCE

Sound Corporate Governance leads to healthy organisations and is about healthy ethical and effective leadership that involves:

- Strategy and direction;
- Approving policy and putting strategy into action;
- Oversight and implementation; and
- Disclosure, by being accountable and reporting

Sound Corporate Governance has the following critical governance outcomes:

- Ethical Culture;
- Performance across the triple context and value creation;
- Effective and adequate control; and
- Trust by the community, good reputation and legitimacy.

## OVERVIEW OF CORPORATE GOVERNANCE

### 2.5 RISK MANAGEMENT

#### RISK MANAGEMENT

Although all managers and employees are responsible for risk management in their own areas, the municipality has a MANCO Risk committee to address this important task. The MANCO Risk committee reports to the Audit Committee on a quarterly basis.

The Annual Risk assessment was successfully completed in June 2019 to give effect to the MFMA requirement that the municipality “has and maintains effective, efficient and transparent system of financial and **risk management** and internal control”. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by

management. Therefore, the risk assessment process and the internal audit planning processes are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

No	Description	Rating
1	Ineffective demand management	Priority 1
2	Inability to collect debt due within a reasonable time	Priority 1
3	Failure to comply with tax (VAT, PAYE) requirement	Priority 1
4	Extended downtime due to inadequate incident management	Priority 1
5	Inability to pay creditors and 3rd party payments as and when they fall due	Priority 2

## 2.6 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. The public is encouraged to report suspected corrupt activities by using the hotline number **0800 701 701** which is monitored by independent parties.

On all other matters reported by Internal Audit and the AGSA as audit findings, the municipality has developed an Audit Action Plan to address all issues. MPAC is also meeting as required and carrying out an oversight role and assisting Council by investigating all cases referred to it. The Audit Committee is also in place and comprises of four members who are highly qualified and all of them are external. The committee met six times in this financial year.

The Fraud prevention strategy was approved by Council and is being implemented. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The strategy involves;

- Surprise audits by the internal audit unit;
- Post transactions review;
- Forensic data analysis performed by the KZN forensic services were necessary;
- Management Accounting report review
- Annual Fraud Risk Assessment

## 2.7 SUPPLY CHAIN MANAGEMENT

The Municipal Supply Chain Management section is now headed by the SCM Manager with proper experience. To improve the efficiency in the procurement of goods and services, a procurement plan is in place to acting all request for goods and services in a timely manner.

The SCM process are constantly under supervision by the Chief Financial Officer to limit irregular fruitless and wasteful expenditure. For the year under review, the municipality improved on the number of audit queries relating to the SCM process which is an indication of good internal controls being implemented.

## 2.8 BY-LAW

uPhongolo Municipality has developed and adopted several relevant Municipal By-Laws, but most were never gazetted due to lack of funds to effect this requirement.

- SPLUMA By-laws (Adopted by Council and Gazetted)
- Building Regulations By-Laws (Adopted by Council and Gazetted)
- Emergency By-Laws (Approved by Council to be Gazetted)

## 2.9 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	
All current budget-related policies	Yes	
The previous annual report (2017/2018)	Yes	26 Jan 2018
The annual report (2018/2019) published/to be published	Yes (Draft)	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2018/2019) and resulting scorecards	Yes	
All service delivery agreements (2018/2019)	None	N/A
All long-term borrowing contracts (2018/2019)	None	N/A
All supply chain management contracts above a prescribed value (R 200 000 value) for 2018/2019	Yes	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2018/2019	None	N/A
Contracts agreed in Year 2017/2018 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	None	N/A
Public-private partnership agreements referred to in section 120 made in 2018/2019	None	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2018/2019	Yes	

## CHAPTER 3

### *ANNUAL PERFORMANCE REPORT FOR UPHONGOLO MUNICIPALITY AS AT 30 JUNE 2019.*

#### **Introduction**

The municipal performance management system is a tool legislated to assist in implementing the IDP of the Municipality and the annual budget (operational and Capital). It is essentially a summary of all the needs of the community and organisation as well as other compliance requirements for the year under review which have been prioritised.

The Municipal Finance Management Act defines the Services Delivery and Budget Implementation plan (SDBIP) as including the following components.

a) Projections for each month of:

(i) Revenue to be collected, by source; and

(ii) Operational and capital expenditure by vote

b) Service delivery targets and performance indicators for each quarter; and

c) Any other matters that may be prescribed, and includes any revisions of such plan by the

Mayor in terms of section 54(1) (c).

This Annual Performance Report therefore prepared in terms of Section 46 of the Municipal Systems Act and it seeks to report on the implementation of the SDBIP or the IDP priorities for the year under review.

#### **Summary**

The summary presented, shows the high level of the achievement of performance measures included in the IDP for 2018/19. These priority measures constitute the Municipal Scorecard for the 2018/2019 financial year starting from 01 July 2018 and ending on the 30 June 2019.

#### **Performance Management Process**

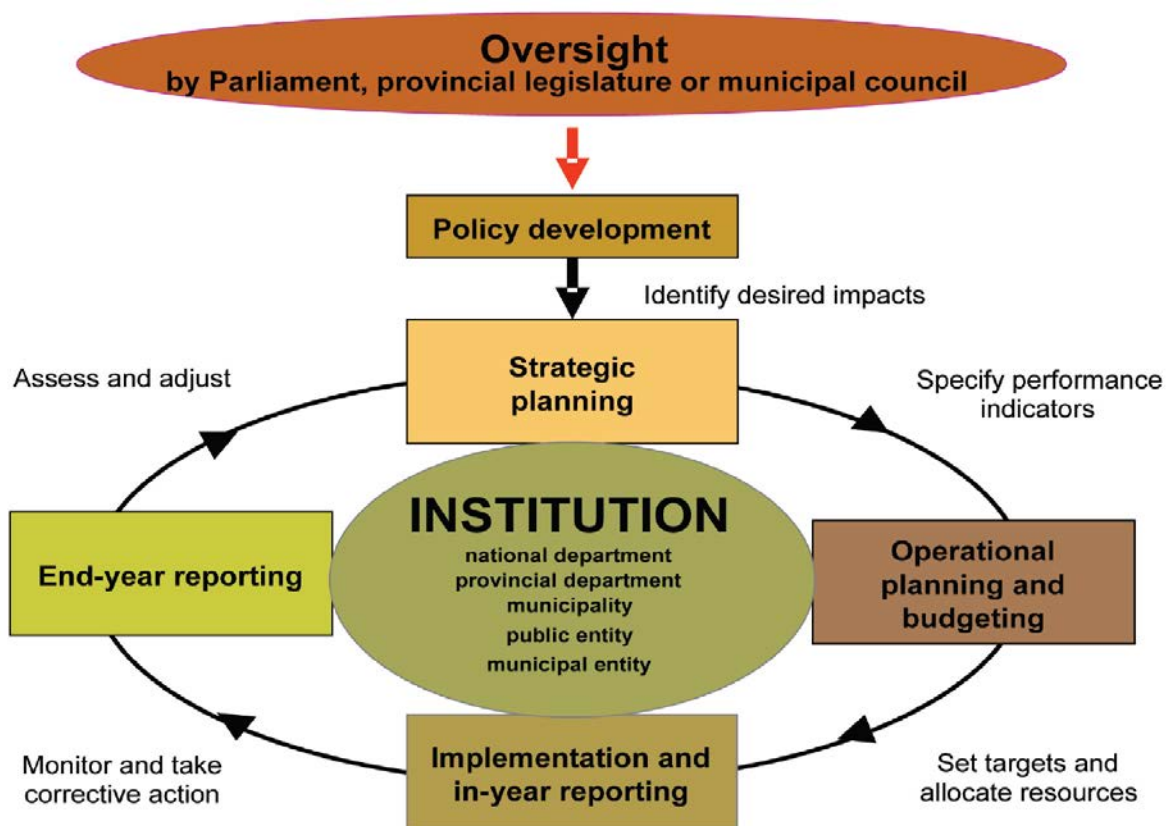
The guiding document in the Performance Management System (PMS) process is the approved PMS framework and Policy which are aligned to the Planning and Performance Management Regulations as well as the Appointment and Conditions of Employment of Senior Managers Regulation.

The PMS processes implemented are meant to give a clear picture to all stakeholders on how the strategic objective of the organisation and resources allocated were able to yield the desired output which will improve the lives of community. Key to the PMS process is the monitoring and reporting on shortcomings and making public, service delivery achievement.

The report on financial performance and non-financial performance that are make public include the following:

- Quarterly Performance (Non-financial) Reports
- S71 & S72 Reports (financial)
- Annual Performance Report
- Annual Financial Statements
- Annual Report

The high level process cycle of the Performance Management System can be summarised in a form of the diagram that follows:



### Administration of the Municipal Performance Management System

The Municipality has a PMS unit that acts as the support structure for the 6 Departments (Municipal Manager's office, Budget and Treasury Unit, Technical Services, Corporate Services, Community Services and Planning and Development & Local Economic Development ) by collecting, verifying, and reporting on their performance against targets prior to sending the performance report to Internal Audit section to be audited.

It is a norm to hold quarterly Performance Audit Committee meetings after the internal audit had finalised their reports. For the year under review, only 2 Performance Audit Committee meeting took place due to delay in appointing new audit committee members. Similarly, the audit of performance

information by the Internal Audit was done for two quarters due to the resignation of the Chief Internal Audit and the special leave of Senior Internal Auditor.

The performance report are prepared and audited on the quarterly basis as per the requirement of section 45 of the Municipal Systems Act. The Annual Performance report is also prepared and is audited by the Auditor General as part of their year-end audit.

### **Performance and Supporting Information**

The Municipal Scorecard (**Appendix 1**) approach reflects the 6 National Key Performance Areas (KPA) and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on the measures included in the Municipal Scorecard.

The performance targets contained in the Service Delivery and Budget Implementation Plan were approved by the Mayor and also adopted by Council for implementation. During the year, the performance targets were revised as part of the Mid-year reviewed and all such changes to the performance targets were also approved by Council.

The traffic light system used in the report of performance is as follows:

**Blue** – Performance above expectation

**Green** – Performance target met

**Amber** – Performance target below (50% of target achieved)

**Red** - Performance target below (less than 50% of target an achieved)

## PERFORMANCE SUMMARY FOR 2018/2019

For the year ended 30 June 2019, the municipality has managed to achieve 51% of the performance target for that year. The indicators with good progress of above or equal to 50% of the achievement represented 23% of the targets for the year. Performance targets that were not met and of which more work still has to be done were 27% of the targets for the year.

### *Overall Performance Highlights for the 2018/2019*

- The municipality was able to deliver key infrastructure project including but not limited to the crèches, access roads, tar roads, community halls and sport field.
- Appointment of vacant S56/54 posts were done for Municipal Manager, Chief Financial Officer, Director Technical Services and Director Community Services.
- Appointment of women in senior and middle management post was one of the key improvement in trying to achieve the employment equity targets of the Municipality.
- The municipality was also able to do electricity connection to households which did not have electricity before.
- Job opportunities were also created under the EPWP program including other capital project

## KEY PERFORMANCE AREA 1: Municipal Institutional Development and Transformation

The contributor to this KPA is the Corporate Services Department and mostly deals with Human Resource indicators, Performance Management indicators and IDP indicators. This KPA had an overall achieved of 36% . This shows a 35% drop in the percentage of indicators that were achieved when comparing to the previous financial year where an achievement of 71%.

KPI Status	Municipal Transformation	
	2017/2018	2018/2019
Target Exceeded	5	2
Target Met ( as planned)	5	3
Target Not Met (with 50% progress)	2	4
Target Not Met (with less than 50% progress)	2	5
<b>Total</b>	<b>14</b>	<b>14</b>
<b>% Targets met</b>	<b>71%</b>	<b>36%</b>
<b>% Targets not met</b>	<b>29%</b>	<b>64%</b>

### ***Performance Highlights for the 2018/2019***

- The training of employees and Councillors was above expectation.
- Awarding of financial assistance to deserving student was within expectation
- Backing-up of critical data was always done as expected throughout the year

### **Challenges**

- There is still a major challenge in the cascading of PMS to the lower levels and the sitting of the ICT Steering Committee to deal with ICT matters as was the case in the 2017/18 financial year.
- The delays in filling vacant posts as well the low number of posts filled can also be highlighted under this KPA.
- There is a shortage of women in senior and middle management position as only two females hold positions in those levels.
- Lastly, the seating of the Performance audit committee was far below the expectation due to delays in appointing the new audit committee.

### **Measures taken to improve Performance**

The post of the Director: Corporate Services was filled later in the 18/19 financial year to provide leadership role in the in Corporate Services Department thereby improving achievement of performance targets under the Municipal Transformation KPA.

The Audit committee was appointed later in the year and they have started performing their function.

Additional post in the Corporate Services Department to be filled in Q1 of 2019/2020 to add to the much needed human resources in the department.

## KEY PERFORMANCE AREA 2: Basic Service Delivery

The overall score for this KPA is 36% for the year under review, which showed a significant drop of 39%. In the prior year the Municipality achieved 75% of the performance target under this KPA.

KPI Status	BASIC SERVICE DELIVERY & INFRASTRUCTURE	
	2017/2018	2018/2019
Target Exceeded	5	3
Target Met ( as planned)	1	1
Target Not Met (with 50% progress)	1	1
Target Not Met (with less than 50% progress)	2	6
<b>Total</b>	<b>8</b>	<b>11</b>
<b>% Targets met</b>	<b>75%</b>	<b>36%</b>
<b>% Targets not met</b>	<b>25%</b>	<b>64%</b>

### *Performance Highlights for the 2018/2019*

- The delivery of infrastructure project to the community in a form of a Hall and Sport field was also noted during the year.
- The municipality has fully implemented the indigent benefit on Electricity, refuse and property rates.

### **Challenges**

- The municipality relies more on contractors and consultants in delivering the projects and where the said service provider's performance is poor, the whole project gets delayed.
- The electrification project was not completed by the expected timeframe due late start.
- Most infrastructure projects were delayed in starting which resulted in only a few being completed during the 2018/19 financial year.

### **Measures taken to improve Performance**

- The project management unit will be monitoring infrastructure more closely to ensure that quality work is done and the projects are completed within planned timeframes.
- The out-sourced PMU support is available to complement the PMU of the Municipality

### KEY PERFORMANCE AREA 3: Local Economic Development

The overall score for the Local Economic Development KPA is at 69%. This is an increase of 8% in the overall performance when comparing to the prior year.

KPI Status	LOCAL ECONOMIC DEVELOPMENT	
	2017/2018	2018/2019
Target Exceeded	6	8
Target Met ( as planned)	2	1
Target Not Met (with 50% progress)	2	3
Target Not Met (with less than 50% progress)	3	1
<b>Total</b>	<b>13</b>	<b>13</b>
<b>% Targets met</b>	<b>61%</b>	<b>69%</b>
<b>% Targets not met</b>	<b>39%</b>	<b>31%</b>

#### *Performance Highlights for the 2018/2019*

- More jobs were created under the EPWP, CWP and other labour intensive capital projects during the year.
- The training of unemployed Youth within the Seta program was far above expectation during the year.
- Various Special program events and support were also done under this KPA within the category of Elderly, Disable and HIV/AIDS
- The traffic law enforcement measures were done in a form of awareness campaigns and roadblocks

#### **Challenges**

The other special groups like Youth were not fully supported due to the vacancy in the Youth Directorate.

#### **Measures taken to improve Performance**

- The special program function has moved to the Office of the Municipal Manager in the 18/19 financial year to ensure that special attention is given to all those designated groups.
- Post of the Senior Manager in the Youth and Sport Directorate to be appointed

#### KEY PERFORMANCE AREA 4: Municipal Financial Viability and Management

The overall score for this KPA is 47%. This indicates a drop of 15% when comparing to prior year where 63% of the performance targets were achieved.

KPI Status	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	
	2017/2018	2018/2019
Target Exceeded	1	0
Target Met ( as planned)	6	7
Target Not Met (with 50% progress)	2	4
Target Not Met (with less than 50% progress)	3	4
<b>Total</b>	<b>11</b>	<b>15</b>
<b>% Targets met</b>	<b>63%</b>	<b>47%</b>
<b>% Targets not met</b>	<b>37%</b>	<b>53%</b>

#### *Performance Highlights for the 2018/2019*

- Staff cost was also contained within the acceptable threshold of 25% to 40%.
- The generation of revenue was also above the planned revenue generation for the year.
- Spending on INEP grant budget was at 100% by year end.
- Spending on Operational Expenditure was a bit above the 100% target.

#### **Challenges**

- The revenue growth for the year is still a challenge as it was only 1% from last year.
- Collection of debtors is still a challenge as outstanding service debtor's was at 116% by 30 June 2019 and collection rate is only 69%
- The cost coverage ratio is below the norm as it was sitting at 0 Months by 30 June 2019 which means the Municipality is having going concern challenges.

#### **Measures taken to improve Performance**

- Cogta and Provincial Treasury have been assisting the Municipality on Debt Collection challenges
- The indigent register was implemented and where necessary, write-off of irrecoverable debtors was done
- To appoint a debt collector assist with recovering the long outstanding debt.
- To review and implement the revenue enhancement strategy.

## KEY PERFORMANCE AREA 5: Good Governance and Public Participation

The overall score is 83%. This KPA indicates an improvement of 10% in the over-all performance when comparing to the prior year.

KPI Status	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS	
	2017/2018	2018/2019
Target Exceeded	2	4
Target Met ( as planned)	6	6
Target Not Met (with 50% progress)	1	1
Target Not Met (with less than 50% progress)	2	1
<b>Total</b>	<b>11</b>	<b>12</b>
<b>% Targets met</b>	<b>73%</b>	<b>83%</b>
<b>% Targets not met</b>	<b>27%</b>	<b>17%</b>

### *Performance Highlights for the 2018/2019*

- Ward committees appointed and fully functional in all 15 wards.
- Community meetings conducted by the ward Councillor exceeds the quarterly projections.
- The internal audit plan for the year was executed and completed.
- Council meets as planned and as required by Legislation.
- The Annual Risk Assessment was conducted which included the Fraud Risk.
- IDP credibility was one of the top one in the Province and recognised by Cogta as such.
- The Municipality was able to improve the audit opinion to unqualified and recognised as one of the best Municipalities to improve on the audit outcome by Cogta.

### **Challenges**

The functioning of the Internal Audit Unit for the year was below expectation due to resignation and late appointment of the Chief Internal Auditor. The unit was further affected by the long special leave of the Senior Internal Auditor.

### **Measures taken to improve Performance**

- The new Chief Internal Auditor was appointed in May 2019
- To fill the vacancy of the Intern Internal Auditor and Senior Internal Auditor

### KEY PERFORMANCE AREA 6: Cross-Cutting Interventions

The KPA showed an achievement of 17% of the targets for the year. This shows a significant drop of 16% as in the previous year.

KPI Status	CROSS CUTTING INTERVENTIONS	
	2017/2018	2018/2019
Target Exceeded	1	1
Target Met ( as planned)	0	0
Target Not Met (with 50% progress)	0	1
Target Not Met (with less than 50% progress)	2	4
<b>Total</b>	3	6
<b>% Targets met</b>	33%	17%
<b>% Targets not met</b>	67%	83%

### *Performance Highlights for the 2018/2019*

There a number of Environmental Management Awareness campaigns that were done in the year.

### **Challenges**

- Process to implement SPLUMA not at the required level due to the non-existing post of the Development and Planning Head of Department.
- The Housing Sector plan, Environmental Management Plan and other plans were not finalised in 2018/19 year.
- The Environmental Management By-law and related Environment Management Plan were also not done.

### **Measures taken to improve Performance**

- To fill the post of the Director: Development Planning and Local Economic Development.
- To develop the Housing Sector Plan for uPhongolo.
- To Engage Cogta for assistance with the development of the Environmental management by-law

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 2 : HUMAN RESOURCE DEVELOPMENT																				
NATIONAL KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT																				
OUTCOME 9 : DIFFERENTIATED APPROACH TO MUNICIPAL PLANNING AND SUPPORT																				
BACK TO BASICS: PILLAR 5 - BUILDING CAPABLE LOCAL GOVERNMENT																				
Org 1	Create a balance between employee productivity, welfare and capacity building	A1.1	Develop and Implement a Work Skills Plan	Number	Number of staff who attended training against Skills development plan (NQF rated / Short Courses)	70	38	32	70 Staff members to attending training(NQF rated/short courses) by 30 June 2018	106 Staff members attended training by 30 June 2018	40 Staff members to attending training( NQF rated/short courses) by 30 June 2019	40 Staff members to attending training( NQF rated/short courses) by 30 June 2019	66 staff members attended training by 30 June 2019	Achieved	2141741		N/A	All		
Org 2	Create a balance between employee productivity, welfare and capacity building	A1.1	Develop and Implement a Work Skills Plan	Number	Number of Cllrs who attended training (NQF rated / Short Courses) against the Skills development plan	29	-	29	20 Councillors to attending training(NQF rated/short courses) by 30 June 2018	30 Councillors attended training by 30 June 2018	16 Councillors to attending training( NQF rated/short courses) by 30 June 2019	16 Councillors to attending training( NQF rated/short courses) by 30 June 2019	80 Councillors attended training by 30 June 2019	Achieved	2141741		N/A	All		
Org 3	Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year	Number	Number of Organisational performance reports submitted to Council (Council Agenda)	4	4	-	4 Organisational performance reports submitted to Council by 30 June 2018	4 Organisational performance reports were submitted to Council by 30 June 2018	4 Organisational performance reports submitted to Council by 30 June 2019	4 Organisational performance reports submitted to Council by 30 June 2019	3 organisational performance reports were submitted to Council by 30 June 2019	Not achieved	210600		Open-internal	All	Council meeting for June postponed to July	To present Council with performance report quarterly

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 4	Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year	Number	Number of Performance committee meetings	4	4				4 Performance audit committee meetings by 30 June 2019	4 Performance audit committee meetings by 30 June 2019	1 performance audit committee meeting was held by 30 June 2019	Not achieved	210600		Operational	All	Delays in finalising appointment of the Audit Committee	To schedule and hold meetings quarterly
Org 5	Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year	Number	Number of organogram levels performance monitored	1 to 4	1&2	3 to 4	Cascade PMS to top 4 organogram levels	Not achieved. PMS only done for senior Mng (Level1) by 30 June 2018	Cascade PMS to top 4 organogram levels by 30 June 2019	Cascade PMS to top 4 organogram levels by 30 June 2019	PMS only done for senior Mng (Level1) by 30 June 2019	Not achieved			Operational	All	Lack of capacity	To engage Cogta and SALGA for assistance
Org 6	To provide an effective and efficient IT and Communication service to all Municipal units	A3.1	Safely provide access to email and internet to improve efficiency in operations.	Number	Number of ICT steering committee meetings held	4	1	3	4 ICT steering committee meetings held by 30 June 2018	1 ICT steering committee meeting held by 30 June 2018	4 ICT steering committee meetings held by 30 June 2019	4 ICT steering committee meetings held by 30 June 2019	1 ICT steering committee meeting held by 30 June 2019	Not achieved			Operational	All	Post of the Directorate Services was vacant for major part of the year	To schedule and hold meetings quarterly

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 7	To provide an effective and efficient IT and Communication service to all Municipal units	A3.1	Safely provide access to email and internet to improve efficiency in operations.	Number	Number of Monthly IT back-ups stored offsite by 30 June 2018	12	12	-	12 Monthly IT back-ups stored offsite by 30 June 2018	12 Monthly IT back-ups done by 30 June 2018	12 Monthly IT back-ups stored offsite by 30 June 2019	12 Monthly IT back-ups stored offsite by 30 June 2019	12 Monthly IT back-ups done by 30 June 2019	Achieved			Operational	All		
Org 8	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.1	Apply previously disadvantaged people concepts to address the demographic gaps and past injustices	Number	Number of women appointed in S54, S56 posts or middle management level (post level 15/16)	2	0	2	2 Women appointed in s54,s56 posts or middle management level by 30 June 2018	2 Women were appointed in s54,s56 posts or middle management level by 30 June 2018	2 Women appointed in s54,s56 posts or middle management level by 30 June 2019	2 Women appointed in s54,s56 posts or middle management level by 30 June 2019	1 woman was appointed in s54, s56 posts or middle management level by 30 June 2019	Not achieved			Operational	All	Delays in finalising appointment	To hold interview in Q1 and finalise appointments
Org 9	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.4	All critical posts to be filled within 3 months	Number	Number of vacant posts filled.	22	7	15	12 vacant positions filled by 30 June 2018	16 vacant positions were filled by 30 June 2018	10 vacant positions filled by 30 June 2019	21 vacant positions filled by 30 June 2019	5 vacant positions filled by 30 June 2019	Not achieved	82,2 Mil	93 Mil	Operational	All	Delays in finalising appointment	To hold interview in Q1 and finalise appointments

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 10	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.4	All critical posts to be filled within 3months	Number	Average turn-around time to finalise the appointment (Advertisement to Appointment)	90 days	90 days	-	90 days to finalise the appointment by 30 June 2018 (Advertisement to Appointment)	117 average days to finalise the appointment (Advertisement to Appointment) by 30 June 2018	90 days to finalise the appointment (Advertisement to Appointment) by 30 June 2019	90 days to finalise the appointment (Advertisement to Appointment) by 30 June 2019	196 days to finalise the appointment (Advertisement to Appointment) by 30 June 2019	Not achieved	82,2 Mil	93 Mil	Operational	All	High Staff shortage	
Org 11	To improve Citizens Skills levels and Education	A5.1	Review Bursary Policy and align with government priorities	%	% bursary /learnership Budget amount spent	100%	100%	-	95%-100% bursary /learnership Budget amount spent by 30 June 2018	86,80% bursary /learnership Budget amount was spent by 30 June 2018	95%-100% bursary /learnership Budget amount spent by 30 June 2019	95%-100% bursary /learnership Budget amount spent by 30 June 2019	95.45% bursary/learnership budget amount spent by 30 June 2019	Achieved			Operational	All		
Org 12	Ensure Institutional of Batho Pele Culture and Principles	A6.1	Increase sensitivity of government administrators to the aspirations of citizens through bi-annually awareness sessions on BP	Number	Number of Batho pele awareness campaigns conducted	2	1	1	2 Batho pele awareness campaigns conducted by 30 June 2018	3 Batho pele awareness campaigns were conducted by 30 June 2018	2 Batho pele awareness campaigns conducted by 30 June 2019	2 Batho pele awareness campaigns conducted by 30 June 2019	1 Batho pele awareness campaign was conducted by 30 June 2019	Not achieved			Operational	All	Delays in the appointment of new staff to train	To schedule Batho Pele Campaign in Q2 of 19/20

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 13	To Promote Access to Information and Accountability	A7.3	Facilitate compilation of an Annual Report	Date	Date draft Annual report submitted.	31-Jan	31-Jan	-	Draft Annual Report for 2016/17 Financial year submitted by 31 January 2018	Draft Annual Report for 2016/17 Financial year was submitted on the 25th January 2018	Draft Annual Report for 2017/18 Financial year submitted by 31 January 2019	Draft Annual Report for 2017/18 Financial year submitted by 31 January 2019	Draft annual report for 2017/18 financial year was submitted on 25 Jan 2019	Achieved			Operational	All		
Org 14	Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases	A8.2	Develop Occupational Health and safety Guidelines	Number	Number of site inspections for OHS Compliance by 30 June 2018	40	0	40	40 site inspections for OHS compliance by 30 June 2018	46 site inspections for OHS compliance was done by 30 June 2018	40 site inspections for OHS compliance by 30 June 2019	40 site inspections for OHS compliance by 30 June 2019	37 site inspections for OHS compliance by 30 June 2019	Not achieved			Operational	All	Staff shortage	To finalise the appointment of HR staff in Q1 of 19/20

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
	<b>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY (PGDS) GOAL 3: HUMAN AND COMMUNITY DEVELOPMENT</b>																			
	<b>GOAL 4: STRATEGIC INFRASTRUCTURE</b>																			
	<b>NATIONAL KEY PERFORMANCE AREA : BASIC SERVICE DELIVERY &amp; INFRASTRUCTURE</b>																			
	<b>OUTCOME 9 : IMPROVED ACCESS TO BASIC SERVICES</b>																			
	<b>BACK TO BASICS: Pillar 2 - DELIVERING BASIC SERVICES</b>																			
Org 15	Ensure provision of Electricity/alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Number	Number of new consumer units with access to electricity (Eskom area)	4419	582	3837	582 of new consumer units with access to electricity (Eskom area) by 30 June 2018	730 of new consumer units now have access to electricity (Eskom area) by 30 June 2018	400 of new consumer units with access to electricity (Eskom area) by 30 June 2019	298 of new consumer units with access to electricity (Eskom area) by 30 June 2019	Nil (project in progress)	Not achieved	8 500 000	8 500 000	DOE	3 & 10	Delay in appointing service provider	To regularly monitor the electrification project
Org 16	Ensure provision of Electricity/alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Number	Number of existing Households with access to electricity	28772	24353	4419	24935 Households with access to electricity by 30 June 2018	25541 Households had access to electricity by 30 June 2018	25335 Households with access to electricity by 30 June 2019	25335 Households with access to electricity by 30 June 2019	25547 Households with access to electricity by 30 June 2019	Achieved	8 500 000	8 500 000	DOE	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 17	Ensure provision of Electricity/ alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	%	Percentage of Households with access to electricity	100%	87%	13%	87% Households with access to electricity by 30 June 2018	89% of Households had access to electricity by 30 June 2018	88% Households with access to electricity by 30 June 2019	88% Households with access to electricity by 30 June 2019	84% Households with access to electricity by 30 June 2019	Not achieved	8 500 000	8 500 000	DOE	All	Census data increase by 1820 while no new electricity project were completed in 18/19	To fast-track the implementation of the electricity project
Org 18	To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	Number	Number of Households with access to refuse removal at least once per week	4200	4114	86	4200 Households with access to refuse removal at least once per week by 30 June 2018	4362 Households had access to refuse removal at least once per week by 30 June 2018	4200 Households with access to refuse removal at least once per week	4200 Households with access to refuse removal at least once per week	4364 households with access to refuse removal at least once a week by 30 June 2019	Achieved	2 281 500		Open-internal	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 19	To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	%	% Households with access to refuse removal at least once per week	15%	14%	1%	15% Households with access to refuse removal at least once per week by 30 June 2018	15,2% Households had access to refuse removal at least once per week by 30 June 2018	15% Households with access to refuse removal at least once per week	15% Households with access to refuse removal at least once per week	14,3 % households with access to refuse removal at least once a week by 30 June 2019	Not achieved	2 281 500,00		Operational	All	Growing demand with less growth in capacity to meet demand	Addition of staff and equipment to be added to meet demand
Org 20	To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	%	% of Households provided with free basic services				-	-	10% of Households provided with free basic services by 30 June 2019	10% of Households provided with free basic services by 30 June 2019	22,8% of Households provided with free basic services by 30 June 2019	Achieved	2 543 659,00		OPEX-grants	All		
Org 21	To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	%	% of households provided with rebates (electricity, rates & refuse)				-	-	5% of households provided with rebates (electricity, rates & refuse) by 30 June 2019	5% of households provided with rebates (electricity, rates & refuse) by 30 June 2019	24% households provided with rebates (electricity, rates & refuse) by 30 June 2019	Achieved	2 543 659,00		OPEX-grants	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 23	To provide safe, adequate and habitable housing that is closer to amenities	B4 .2	Transferred of (R293) properties		Transfer red of (R293) properties				-	-	303-(R293) properties transferr ed by 30 June 2019	303-(R293) properties transferr ed by 30 June 2019	Nil ( No property transfers done)	Not achieved				2&10	Delays in identifying rightful-owners	To engage the affected households for assistance and finalise the transfer
Org 24	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	B5 .2	Improve Access to Community Amenities and infrastructure	Number	Number of pre-schools/ crèches constructed & completed	7	2	5	2 pre-schools/ crèches constructed & completed by 30 June 2018	2 crèches were constructed & completed in ward 9-qhubekani i&, Ward 13-good hope by 30 June 2018	2 pre-school/ crèche constructed & completed by 30 June 2019	1 pre-school/ crèche constructed & completed by 30 June 2019	Nil	Not achieved	1 500 000,00		Cap ex-Mi G	10,13	there were delays in procurement of contract or	To complete all pending infrastructure project in Q2 of 19/20
Org 25	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	B5 .2	Improve Access to Community Amenities and infrastructure	Number	Number of Sport complex completed	6	2	4	2 Sport Complex completed by 30 June 2018	1 sport field was completed in ward 7 by 30 June 2018	5 Sport Fields/C omplex completed by 30 June 2019	5 Sport Fields/C omplex completed by 30 June 2019	1 (ward 11 Sgungwini ) Sport Field completed by 30 June 2019	Not achieved	10 859 315,00		Cap ex-Mi G	11,6,7, 10&12	there were delays in procurement of contract or	To complete all pending infrastructure project in Q2 of 19/20

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 26	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	B5.2	Improve Access to Community Amenities and infrastructure	Number	Number of Community Halls Constructed	15	*	*	-	-	5 Community halls completed by 30 June 2019	3 Community halls completed by 30 June 2019	1 Community hall completed by 30 June 2019	Not achieved	6 782 296,00		Capex-MiG	9,14,13,6,&4	there were delays in procurement of contract or	To complete all pending infrastructure project in Q2 of 19/20

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
	<b>PROVINCIAL GROWTH &amp; DEVELOPMENT STRATEGY (PGDS) GOAL 1: INCLUSIVE ECONOMIC GROWTH</b>																			
	<b>NATIONAL KEY PERFORMANCE AREA : LOCAL ECONOMIC DEVELOPMENT</b>																			
	<b>OUTCOME 9 : COMMUNITY WORK PROGRAMME IMPLEMENTED AND CO-OPERATIVES SUPPORTED</b>																			
	<b>BACK TO BASICS: PILLAR 1 - PUTTING PEOPLE FIRST</b>																			
	<b>LOCAL ECONOMIC DEVELOPMENT</b>																			
Org 27	Create a conducive environment for investing and SMME growth in Phongolo	C 1.3	Provide training to the unemployed communities	Number	Number of unemployed people trained on various skills	All unemployed ppl	300		300 unemployed people trained on various skills by 30 June 2018	262 unemployed people were trained on various skills by 30 June 2018	300 unemployed people trained on various skills by 30 June 2019	300 unemployed people trained on various skills by 30 June 2019	3895 unemployed people were trained by 30 June 2019	Achieved	1 679 042,00		Open-internal	All		
Org 28	Increase the number of visitors to uPhongolo through integrated and targeted marketing	C2.2	Tourism promotion and facilitation	Number	Number of tourism promotional initiatives to attract more tourists to Pongola.	4	2	2	2 Tourism promotional initiatives to attract more tourists to Pongola by 30 June 2018	3 Tourism promotional initiatives to attract more tourists to Pongola was done by 30 June 2018	4 Tourism promotional initiatives to attract more tourists to Pongola by 30 June 2019	4 Tourism promotional initiatives to attract more tourists to Pongola by 30 June 2019	2 Tourism promotional initiatives to attract more tourists by 30 June 2019	Not achieved	210 600,00		Open-internal	All	Staff shortage	To make provision of additional staff in next Organogram
Org 29	To promote arts and cultural services	C3.1	Development of Arts and Culture Strategy	Number	Number of Tourism and Cultural events held	2	2	-	2 Cultural events held by 30 June 2018	2 Cultural events held by 30 June 2018	2 Cultural events held by 30 June 2019	2 Cultural events held by 30 June 2019	4 Cultural events held by 30 June 2019	Achieved	320 392,00		Open-internal	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 30	Creation of sustainable jobs	C 4.1	Create employment opportunities through labour intensive schemes	Number	No. of jobs created through municipality's LED initiatives including capital projects & EPWP	All unemployed ppl	73		80 EPWP jobs created and sustained for the year by 30 June 2018	82 EPWP jobs were created and sustained for the year by 30 June 2018	45 jobs created through municipality's LED initiatives including capital projects & EPWP by 30 June 2019	45 jobs created through municipality's LED initiatives including capital projects & EPWP by 30 June 2019	50 jobs were created through municipality's LED initiatives including capital projects & EPWP by 30 June 2019	Achieved	2534000		DPW	All		
Org 31	Mitigate the HIV epidemic and promote positive living	C6.3	To develop and implement programmes that target high risk groups	Number	Number of HIV / AIDS events held	4	4	-	4 HIV / AIDS events held by 30 June 2018	4 HIV / AIDS events were held by 30 June 2018	4 HIV / AIDS events held by 30 June 2019	4 HIV / AIDS events held by 30 June 2019	6 HIV/AIDS events were held by 30 June 2019	Achieved	268445			All		
Org 32	Mitigate the HIV epidemic and promote positive living	C6.2	Participate in Sukhumasakhe programs	Number	Number of Local Task Team (LTT) meeting conducted	10	4	6	10 Local Task Team (LTT) meeting conducted by 30 June 2018	8 Local Task Team (LTT) meetings were held by 30 June 2018	10 Local Task Team (LTT) meeting conducted by 30 June 2019	10 Local Task Team (LTT) meeting conducted by 30 June 2019	8 local task team meetings were conducted by 30 June 2019	Not achieved	125 000		open - internal	All	Non-availability of key members	To draw-up a year schedule of meeting and issue notices of meeting well in advance before the meeting date

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 33	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	Number	Number of elderly supported basic necessities	All elderly ppl	65		140 elderly supported with basic necessities by 30 June 2018	Nil achievement	140 elderly supported with basic necessities by 30 June 2019	140 elderly supported with basic necessities by 30 June 2019	170 elderly supported with basic necessities by 30 June 2019	Achieved	R 489 918,00		Operational	All		
Org 34	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	Number	Number of people with disability supported with basic necessities	All ppl with disability	15		30 people with disability supported with basic necessities by 30 June 2018	Nil achievement	30 people with disability supported with basic necessities by 30 June 2019	130 people with disability supported with basic necessities by 30 June 2019	170 people with disability supported with basic necessities by 30 June 2019	Achieved	226 263,00		Operational	All		
Org 35	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	Number	Number of youth events held	4	4	-	4 youth events held by 30 June 2018	6 youth events were held 30 June 2018	4 youth events held by 30 June 2019	4 youth events held by 30 June 2019	1 youth event held by 30 June 2019	Not achieved	926 660,00		Operational	All	Special program official on special leave	To draw-up a year program for the Youth

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 36	Reduce crime rate within uPhongolo jurisdiction	C8.1	Promote neighbourhood watch group scheme.	Number	Number of Community Safety Forum (CSF) meetings held	4	1	3	4 Community Safety Forum (CSF) meetings held by 30 June 2018	Nil achievement	4 Community Safety Forum (CSF) meetings held by 30 June 2019	4 Community Safety Forum (CSF) meetings held by 30 June 2019	2 community safety forum meetings held by 30 June 2019	Not achieved	N/A		Open-internal	All	Non-availability of key members	To draw-up a year schedule of meeting and issue notices of meeting well in advance before the meeting date
Org 37	To ensure Safer, effective and efficient system for all	C9.2	Efficient vehicles and driver licensing services.	Number	Number of Learners License Examined	768			768 Learners Licence Examined by 30 June 2018	1321 Learners Licence were Examined by 30 June 2018	768 Learners Licence Examined by 30 June 2019	768 Learners Licence Examined by 30 June 2019	974 Learners licence examined by 30 June 2019	Achieved	N/A		Open-internal	All		
Org 38	To ensure Safer, effective and efficient system for all	C9.3	Monitor and assess driver fitness and Vehicle roadworthiness through Road blocks	Number	Number of road safety campaigns	20	5	15	20 Road safety Campaigns done by 30 June 2018	21 Road safety Campaigns were done by 30 June 2018	20 Road safety Campaigns done by 30 June 2019	20 Road safety Campaigns done by 30 June 2019	20 road safety campaigns were done by 30 June 2019	Achieved	N/A		Open-internal	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 39	To ensure Safer, effective and efficient system for all	C9.3	Monitor and assess driver fitness and Vehicle roadworthiness through Road blocks	Number	Number of Multi-Disciplinary Roadblocks	8	5	3	8 Multidisciplinary Road Block by 30 June 2018	19 Multidisciplinary Road Block were done by 30 June 2018	8 Multidisciplinary Road Block by 30 June 2019	8 Multidisciplinary Road Block by 30 June 2019	71 multidisciplinary road blok by 30 june 2019	achieved	N/A		Operational	All		
	PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 6 : GOVERNANCE AND POLICY																			
	NATIONAL KEY PERFORMANCE AREA : MUNICIPAL FINANCIAL VIABILITY AND MANAGMENT																			
	OUTCOME 9 : IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY																			
	BACK TO BASICS: PILLAR 4 SOUND FINANCIAL MANAGMENT																			
	MUNICIPAL FINANCIAL VIABILITY & FINANCIAL MANAGEMENT																			

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 40	To apply good financial management in dealings with municipal finances	D1 .1	Develop and implement measures to expand revenue base and generation.	%	% Revenue Growth - (Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue ) x 100 - year-on-year or quarter-to-quarter	12%	5%	7%	12 % Revenue Growth by 30 June 2018	1% Revenue Growth by 30 June 2018	6 % Revenue Growth by 30 June 2019	8 % Revenue Growth by 30 June 2019	6% revenue growth by 30 June 2019	Not achieved	260 mil	255 Mil	Mix sources	All	High indigent community	To review and implement the revenue enhancement strategy
Org 41	To apply good financial management in dealings with municipal finances	D1 .1	Develop and implement measures to expand revenue base and generation.	%	Actual Operating Revenue / Budget Operating Revenue x 100	95% - 100%	100 %	-	95% - 100% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2018	103% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2018	95% - 100% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2019	95% - 100% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2019	112% Actual operating revenue over budgeted operating revenue by 30 June 2019	Achieved	260 mil	234,5 Mil	Mix sources	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Or g 42	To apply good financial management in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditure	%	% staff cost over OPEX incurred - Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x100	25% - 40%	40%	-	25 - 40% staff cost over OPEX incurred by 30 June 2018	38% staff cost over OPEX incurred by 30 June 2018	25 - 40% staff cost over OPEX incurred by 30 June 2019	25 - 40% staff cost over OPEX incurred by 30 June 2019	35% Staff cost over OPEX incurred by 30 June 2019	Achieved	89,2 mil	93 Mil	Mix sources	All		
Or g 43	To apply good financial management in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditure	%	% CAPEX BUDGET SPENT - Actual capital Expenditure / Budget Capital Expenditure x 100	95% - 100%	75%	25%	95%-100% CAPEX BUDGET SPENT by 30 June 2018	88% CAPEX BUDGET SPENT by 30 June 2018	95%-100% CAPEX BUDGET SPENT by 30 June 2019	95%-100% CAPEX BUDGET SPENT by 30 June 2019	50 % CAPEX Budget spent by 30 June 2019	Not achieved	48,5 mil	24,5 Mil	Mix sources	All	Delay in appointing service providers	To prepare and implement a good procurement plan for 19/20

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 44	To apply good financial management in dealings with municipal finances	D1.2	To control and account for all Municipal expenditure	%	% MIG BUDGET SPENT - Actual MIG Expenditure / MIG Budget Expenditure x 100	95% - 100%	75%	25%	-	-	95%-100% MIG BUDGET SPENT by 30 June 2019	95%-100% MIG BUDGET SPENT by 30 June 2019	77% MIG budget spent by 30 June 2019	Not achieved	27,8 Mil	21,8 Mil	MIG	All	Delay in appointing service providers	To prepare and implement a good procurement plan for 19/20
Org 45	To apply good financial management in dealings with municipal finances	D1.2	To control and account for all Municipal expenditure	%	% INEP BUDGET SPENT - Actual INEP Expenditure / INEP Budget Expenditure x 100	95% - 100%	75%	25%	-	-	95%-100% INEP BUDGET SPENT by 30 June 2019	95%-100% INEP BUDGET SPENT by 30 June 2019	100% INEP BUDGET SPENT by 30 June 2019	achieved	8,5 Mil	8,5 Mil	INEP			
Org 46	To apply good financial management in dealings with municipal finances	D1.2	To control and account for all Municipal expenditure	%	% of budget spent on implementation of WSP	95% - 100%	75%	25%	-	-	95%-100% Work Skills Plan Budget Spent	95%-100% Work Skills Plan Budget Spent	67% Work skills plan budget spent by 30 June 2019	Not achieved			Mix sources	All	Cash flow challenges resulted in stopping of some staff training plans	To review all the study assistance request and priority training given to staff

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 47	To apply good financial management in dealings with municipal finances	D1.2	To control and account for all Municipal expenditure	%	% OPEX Budget spent - Actual Operating Expenditure / Budgeted Operating Expenditure x 100	95% - 100%	100%	-	95% - 100% OPEX Budget spent by 30 June 2018	97% OPEX Budget spent by 30 June 2018	95% - 100% OPEX Budget spent by 30 June 2019	95% - 100% OPEX Budget spent by 30 June 2019	103% OPEX spent by 30 June 2019	Achieved	260 mil	263 Mil	Mix sources	All		
Org 48	To apply good financial management in dealings with municipal finances	D1.3	Develop and implement measures to reduce the level of debt owed to the municipality	%	% Collection Rate - (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100	93%-95%	85%	10%	93% - 95% Collection Rate by 30 June 2018	80% Collection Rate by 30 June 2018	93% - 95% Collection Rate by 30 June 2019	93% - 95% Collection Rate by 30 June 2019	49% collection rate by 30 June 2019	Not achieved				All	High indigent community	To review the revenue enhancement strategy and implement it.

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Or g 49	To apply good financial management in dealings with municipal finances	D1 .3	Develop and implement measures to reduce the level of debt owed to the municipality	%	% of outstanding service debtors to annual revenue from services	0%-26%	200 %	- 174%	0% -26% of outstanding service debtors to annual revenue from services by 30 June 2018	191% of outstanding service debtors to annual revenue from services by 30 June 2018	0% -26% of outstanding service debtors to annual revenue from services by 30 June 2019	0% -26% of outstanding service debtors to annual revenue from services by 30 June 2019	48,4% of outstanding service debtors to annual revenue from services by 30 June 2019	Not achieved				All	High indigent community	To review the revenue enhancement strategy and implement it.

Or g 50	To apply good financial management in dealings with municipal finances	D1 .4	Improve cash and debtors management	Number in months	Cash / Cost Coverage Ratio in Months - ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	1 - 3 Months	1	2	1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2018	0 months Cash / Cost Coverage Ratio in Months by 30 June 2018	1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2019	1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2019	0 Months cash/cost coverage ratio by 30 June 2019	Not achieved				All	Poor payment of municipal debt	To engage the services of a debt collector
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Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 51	To apply good financial management in dealings with municipal finances	D1.4	Improve cash and debtors management	Number	Debt coverage rate - (Total operating revenue less operating grants)/ Debt service payment	40 x			30 x to 40 times Debt coverage rate by 30 June 2018	332 times Debt coverage rate by 30 June 2018	30 x to 40 times Debt coverage rate by 30 June 2019	30 x to 40 times Debt coverage rate by 30 June 2019	186 times debt coverage ratio by 30 June 2019	Achieved			Operational	All		
Org 52	To enforce a fair and legislatively compliance SCM policy	D2.2	Apply fairness, equity, competitiveness, transparency & cost effectiveness principles in obtaining goods and services.	Number	Number of Quarterly report on the implementation of SCM policy reported to Council	4	4	-	4 report on the implementation of SCM policy reported to Council by 30 June 2018	4 report on the implementation of SCM policy were reported to Council	4 report on the implementation of SCM policy reported to Council by 30 June 2019	4 report on the implementation of SCM policy reported to Council by 30 June 2019	4 Reports on the implementation of scm policy was reported to council by 30 June 2019	Achieved			Operational	All		
Org 53	To budget and report on all Municipal financial transactions according to legislation	D3.1	Ensure that budget is informed by the IDP	Date	Date Final Budget approved by Council	31-05-2018	31-May	-	Final Budget approved by Council on or before 31 May	Final Budget approved by Council on 23 May 2018	Final Budget approved by Council on or before 31 May	Final Budget approved by Council on or before 31 May	Final budget approved 27 May 2019	Achieved			Operational	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 54	To ensure that assets are properly safeguarded, maintained and accounted for in the Municipal records	D4.4	Establish own fleet with effective tracking system	Number	Number of Fleet Management Report prepared	12	12	-	12 Fleet Management Reports prepared by 30 June 2018	12 Fleet Management Reports were prepared by 30 June 2018	12 Fleet Management Reports prepared by 30 June 2019	12 Fleet Management Reports prepared by 30 June 2019	6 Fleet management reports prepared by 30 June 2019	Not achieved			Open-internal	All	Post was temporarily vacant	To monitor and report on utilisation of Municipal Fleet
	PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 6 : GOVERNANCE AND POLICY COMMUNITY DEVELOPMENT           PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 3 : HUMAN AND																			
	NATIONAL KEY PERFORMANCE AREA : GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS																			
	OUTCOME 9 : DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE SYSTEM																			
	BACK TO BASICS: PILLAR 1: PUTTING PEOPLE FIRST & PILLAR 3: GOOD GOVERNANCE																			
	GOOG GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS																			

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 55	Promote good governance, accountability and transparency	E 1. 1	Promotion of effective, timeous, and efficient communication with both internal and external stakeholders	Number	Number of Council meetings held	4	4	-	7 Full Council meetings held by 30 June 2018	7 Full Council meetings were held by 30 June 2018	4 Council Meetings held by 30 June 2019	7 Council Meetings held by 30 June 2019	10 Council meetings were held by 30 June 2019	Achieved			Operational	All		
Org 56	Promote good governance, accountability and transparency	E 1. 2	Monitor and improve internal Control & risk management processes	Percentage	% Audit plan Implemented or achieved	100%	100%	-	100% Audit plan Implemented or achieved by 30 June 2018	100% Audit plan was Implemented by 30 June 2018	100% Audit plan Implemented or achieved by 30 June 2019	100% Audit plan Implemented or achieved by 30 June 2019	5% audit plan achieved by 30 June 2019	Not achieved			Operational	All	Chief Internal Audit Manager post was vacant for a major part of the year	To fully implement the approved Audit plan in 19/20
Org 57	Promote good governance, accountability and transparency	E 1. 2	Monitor and improve internal Control & risk management processes		Type of audit opinion received - clean audit best, unqualified acceptable) Prior year AFS	Clean audit	qualified	clean / unqualified	To achieve and maintain a clean or unqualified audit (for the 16/17 financial year)	A qualified audit opinion was received for the 16/17 financial year	To achieve and maintain a clean or unqualified audit by 30 June 2019	To achieve and maintain a clean or unqualified audit by 30 June 2019	Unqualified Audit opinion achieved for the 17/18 financial year by 30 June 2019	Achieved	1953359	1565680	Operational	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/2018	Actual 2017/2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 58	Placing the primary focus on addressing the needs of communities within the municipality	E 2.2	Ward committees supported and capacitated to ensure functionality	Number	Number of ward committee meetings held	45	42	-	180 ward committee meetings held for the year ended 30 June 2018	180 ward committee meetings were held by 30 June 2018	180 ward committee meetings held for the year ended 30 June 2019	180 ward committee meetings held for the year ended 30 June 2019	180 ward committee meetings were held for the year ended 30 June 2019	achieved			Operational	1 to 15		
Org 59	Placing the primary focus on addressing the needs of communities within the municipality	E 2.4	Monitor customer complaints & provide feedback	Number	Number of report on complaints/complaints	4	4	-	4 report on complaints/complaints by 30 June 2018	4 quarterly report on complaints/complaints was prepared by 30 June 2018	4 report on complaints/complaints by 30 June 2019	4 report on complaints/complaints by 30 June 2019	4 reports on complaints/complaints by 30 June 2019	achieved			Operational	All		
Org 60	Report regularly on the dealings of the Municipality	E 3.1	Publish and distribute quarterly newsletters & Annual Reports to inform communities on progress and essential information	Number	Number of newsletters developed by 30 June 2019	4	4	-	4 quarterly newsletters developed by 30 June 2018	1 quarterly newsletter was developed by 30 June 2018	4 quarterly newsletters developed by 30 June 2019	2 quarterly newsletters developed by 30 June 2019	2 newsletters were developed by 30 June 2019	achieved	81432		Operational	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 61	To ensure effective and efficient administration complying with its Legal Mandates	E 4. 2	Strengthen Council Oversight through training on Legislation and Policies	Number	Number of Cllrs who attended workshops or similar presentations on work matters (including internal and external)	29	27	2	29 Cllrs who attended workshops or similar presentations on work matters (including internal and external) by 30 June 2018	30 Cllrs attended workshops or similar presentations on work matters (including internal and external) by 30 June 2018	16 Cllrs who attended workshops or similar presentations on work matters (including internal and external) by 30 June 2019	16 Cllrs who attended workshops or similar presentations on work matters (including internal and external) by 30 June 2019	22 Cllrs attended workshops by 30 June 2019	achieved			Operational	All		
Org 62	To ensure effective and efficient administration complying with its Legal Mandates	E 4. 3	Development of an organisational strategic planning document	Number	Number of Strategic Planning sessions held	1	1	-	1 Strategic planning session held by 31 March 2018	1 Strategic planning session was held between 28 Jan to 02 Feb 2018	1 Strategic planning session held by 30 June 2019	1 Strategic planning session held by 30 June 2019	1 strategic planning session was held by 30 June 2019	achieved	419375		Operational	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 63	To promote a municipal governance system that enhances and embraces the system of participatory Governance	E5.1	Facilitate the Functionality of Ward Committees through continuous public participation	Number	Number of ward community meetings held by 30 June 2019	60	56	4	60 ward community meetings held by 30 June 2018	172 ward community meetings were held by 30 June 2018	60 ward community meetings held by 30 June 2019	60 ward community meetings held by 30 June 2019	184 ward community meetings were held by 30 June 2019	achieved			Open-internal	1 to 15		
Org 64	To promote a municipal governance system that enhances and embraces the system of participatory Governance	E5.2	Development of a Credible Integrated Development plan within prescribed legislative guidelines	%	% of IDP credibility score obtained from Cogta IDP assessment	*	*	*	-	-	70% or > IDP credibility score achieved for the IDP assessment by Cogta	70% or > IDP credibility score achieved for the IDP assessment by Cogta	78% credibility score achieved for the idp assessment by cogta	achieved	473 850,00		OPEX-Own funding	All		

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 65	To promote and foster sound internal and external communication	E6.2	Facilitate functionality of IGR Structures	Number	Number of IGR meetings attended	4	0	4	4 IGR meetings attended by 30 June 2018	1 IGR (MM's) meetings attended by 30 June 2018	4 IGR meetings attended by 30 June 2019	4 IGR meetings attended by 30 June 2019	2 IGR meetings attended by 30 June 2019	Not achieved			Open-internal	All	Poor attendance by member municipal officials	To attend all IGR meeting with proper invitation
Org 66	To ensure that the risk maturity of the organisation is at an enabled level	E7.1	Risk assessment annually with implementation, monitoring continuous improvement and on-going review	Date	Date of Annual Risk Assessments done (Operational, fraud and IT)	30-Jun	30-Jun	-	Annual risk assessment conducted by 30 June 2018	Annual risk assessment was conducted on the 05 June 2018	Annual risk assessment conducted by 30 June 2019	Annual risk assessment conducted by 30 June 2019	Annual risk assessment conducted on 06 June 2019	achieved			Open-internal	All		
	PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 5 : ENVIRONMENTAL SUSTAINABILITY EQUITY										PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 7: SPATIAL									
	NATIONAL KEY PERFORMANCE AREA : CROSS CUTTING INTERVENTION																			
	OUTCOME 9 : SINGLE WINDOW OF CO-ORDINATION ; ACTIONS SUPPORTIVE OF HUMAN SETTLEMENT OUTCOME																			
	BACK TO BASICS: PILLAR 2 - DELIVERY BASIC SERVICES																			

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 67	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	F1.3	To conduct environmental awareness campaigns to communities.	Number	Number of Environmental Campaigns conducted.	4	0	4	4 Environmental Campaigns conducted by 30 June 2018	Nil achievement	4 Environmental Campaigns conducted by 30 June 2019	4 Environmental Campaigns conducted by 30 June 2019	6 environmental campaigns conducted by 30 June 2019	achieved			Open-internal	All		
Org 68	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	F1.4	Review and enforce Environmental By-laws.	Date	Date Environmental Management By-law adopted by Council	*	*	*	-	-	Date Environmental Management By-law adopted by Council	Environmental management by-law adopted by 30 June 2019	Nil	Not achieved			Open-internal	All	Delays in the preparation of the SEA document	To engage Cogta for assistance in drafting and gazetting the by-law

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 69	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	F1.1	To develop and implement an environmental management plan that addresses climate change amongst other things .	Date	Date Environmental Management Plan adopted by Council	*	*	*	-	-	Environmental Management Plan adopted by Council on or before 30 June 2019	Environmental Management Plan adopted by Council on or before 30 June 2019	Nil	Not achieved			Open-internal	All	Delay in the appointment of service provider	To include the EMP on the 20/21 year budget or the revised budget for 19/20
Org 70	Provide disaster management and emergency services	F2.1	To develop and implement a disaster management plan and fire services Plan	Number	Number of fire and rescue inspections conducted in buildings	60	25	35	60 fire and rescue inspections conducted in buildings by 30 June 2018	87 fire and rescue inspections were conducted in buildings by 30 June 2018	60 fire and rescue inspections conducted in buildings by 30 June 2019	60 fire and rescue inspections conducted in buildings by 30 June 2019	47 fire and rescue inspections conducted by 30 June 2019	Not achieved			Open-internal	All	Staff shortage	To engage HR to add more staff on the Organogram and finalise the appointment.

Score card Ref #	IDP Objectives	IDP REF No.	Strategy	Unit of Measure	Indicator	Demand 2017/ 2018	Baseline 2017/2018	Backlog 2017/2018	Target 2017/ 2018	Actual 2017/ 2018	Annual (Original) Target 2018/2019	Annual (Revised & Final) Target 2018/2019	Actual 2018/2019	Achieved/ Not achieved	Total Final Budget for the Year	Expenditure for the year	Source of Funding	Ward	Reason for Variance	Measures to be taken to improve performance
Org 71	To plan areas for future development and formalisation	F3.6	Review of Human Settlement Sector Plan	Date	Date the Reviewed Housing Sector Plan is adopted by Council	30-Jun	-	30-Jun	Council Resolution adopting the Reviewed Sector Plan Housing Sector Plan by 30 June 2018	Nil achievement	Council Resolution adopting the Reviewed Sector Plan Housing Sector Plan by 30 June 2019	Council Resolution adopting the Reviewed Sector Plan Housing Sector Plan by 30 June 2019	Nil	Not achieved	300 000		Operational	All	Delays in appointing the service provider	To fully review the Housing Sector Plan in the 19/20 year
Org 72	To plan areas for future development and formalisation	F3.1	Review the Spatial Development Plan		Date of approval and adopted of the reviewed SDF by the Council	30-Jun	-	30-Jun	-	-	Reviewed SDF, approved and adopted by the Council on or before 30 June 2019	Reviewed SDF, approved and adopted by the Council on or before 30 June 2019	Nil	Not achieved			Operational	All	Delays in appointing the service provider	To fully review the SDF in 19/20

## Assessment of the performance of External Service Provider

The Municipality in its delivery of services to the community, engages and contracts various providers of goods or services. The level of services given to the community, to a larger extent, depends on the level of service that is received from the contracted provider of goods/services. Section 46 of the Municipal Systems Act, requires that the municipality must assess the performance of external service provider. Detailed below is the performance assessment made for the various service providers appointed to implement infrastructure projects in the year 2018/2019.

Assessment Key											
Good (G)		The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract									
Satisfactory (S)		The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract									
Poor (P)		The service has been provided below acceptable standards									
Bid Number	Central database # of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year  2017/2018		Current Financial Year  2018/2019		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
542/08/18	MAAA0073774	2019/06/06	CONSTRUCTION OF KRANSKLOOF COMMUNITY HALL IN WARD 13- PHASE 2	R 1 666 917,53	-	-	Good quality of work	Good	G		

549/09/18	MAA0035150	26/04/2019	CONSTRUCTION OF PONGOLA SUB-RANK FACILITY PHASE 2	R 5 143 600,06	-	-	Good quality of work	Good	G		
Bid Number	Central database # of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year 2017/2018		Current Financial Year 2018/2019		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
556/11/18			ELECTRICAL INFILLS PROJECT WARD 3				Good quality of work	Good	G		
389/01/14	MAAA0316224	2014/05/21	CONSTRUCTION OF SPORTFIELD WARD 11 - ESIGUNGWINI	R 2 535 588,00	Good quality of work	Good	Good quality of work	Satisfactory		S	
451/08/16	MAAA0085018	2016/12/20	MASHOBANA COMMUNITY HALL WARD 6	R 2 491 252	Good quality of work	Satisfactory	Good quality of work	Good	G		

476/02/17A	MAAA0139612	2016/08/23	NCOTSHANE SPORTS COMPLEX	R 14 989 696.13	Good quality of work	Good	Good quality of work	Satisfactory		S	
SEC 32	MAAA0317311	2017/01/20	8120m2 Pongola Tarred Roads to be constructed with the layers	R 6 880 000	Good quality of work	Satisfactory	Good quality of work	Poor			P
427/05/15		25/01/2016	CONSTRUCTION OF EMDONINI COMMUNITY HALL (WARD 9)	R 2 854 554,81	Good quality of work	Poor	Good quality of work	Poor			P

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

**Table 4.1.1**

Description	2017/18				2018/19			
	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)
Financial Services	33	28	9	27.27	35	26	12	34%
Technical Services	90	54	24	35.82	84	51	33	39%
Corporate Services	53	33	20	37.74	46	28	18	39%
Community Services	216	136	88	49	222	173	49	22%
MM's Office	21	14	7	38	21	13	8	38%
<b>Total</b>	<b>413</b>	<b>265</b>	<b>148</b>	<b>35.8</b>	<b>408</b>	<b>301</b>	<b>120</b>	<b>29.4%</b>

**Table 4.1.2**

Turnover Rate			
Details	Total Appointments as of beginning of Financial Year in No	Terminations During the financial year	Turnover Rate
2017/2018	210	17	8.1%
2018/2019	307	11	3.7%

**Table 4.1.3**

Vacancy Rate Senior management: 2018/2019			
Description	Total No. of Approved Posts	Vacancies	Vacancies (as a % of total posts per category)
Municipal Manager	1	0	0%
CFO	1	0	0%
s.56 Managers	5	1	20%
<b>Total</b>	<b>7</b>	<b>1</b>	<b>15%</b>

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(l) (c), to ensure fair, efficient, effective and transparent personnel administration in accordance with the Employment Equity Act 1998." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during FY2018/19.

#### 4.2 POLICIES

**Table 4.2**

HR Policies and Plans

No	Name of Policy	% Completed	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
1	Records Management Policy	100	100	Adopted
2	Scarce & Critical Skills Retention Policy	100	100	Adopted
3	Recruitment & Selection Policy	100	100	Adopted
4	Learnership Policy	100	100	Adopted
5	HIV & AIDS Policy	100	100	Adopted
6	Internal Transfer Policy	100	100	Adopted
7	Employee Wellness Policy	100	100	Adopted
8	Leave Policy	100	100	Adopted
8.1	• Annual Leave	100	100	Adopted
8.2	• Family Responsibility Leave	100	100	Adopted
8.3	• Maternity Leave	100	100	Adopted
8.4	• Paternity Leave	100	100	Adopted
8.5	• Sick Leave	100	100	Adopted
8.6	• Study Leave	100	100	Adopted
8.7	• Unpaid Leave	100	100	Adopted
9	Subsidized Motor Vehicle Policy	100	100	Adopted
10	Skills Development Policy	100	100	Adopted
11	Sexual Harassment Policy	100	100	Adopted
12	Occupational Health & Safety Policy	100	100	Adopted
13	Experiential Training Policy	100	100	Adopted
14	Housing Allowance	100	100	Adopted
15	Protective Clothing	100	100	Adopted
16	Acting Allowance	100	100	Adopted
17	Bursary Policy	100	100	Adopted
18	Induction Policy	100	100	Adopted
19	Internal Transfer	100	100	Adopted

No	Name of Policy	% Completed	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
20	Probation Policy	100	100	Adopted
21	Staff Appointment	100	100	Adopted
22	Termination of Service Policy	100	100	Adopted

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

**Table 4.3.1**

Injury Type	Injury Leave Taken (Days)	No. of Employees Using Injury Leave	% Proportion of Employees Using Sick Leave	Average Injury Leave per Employee	Total Estimated Costs
Required Basic Medical Attention Only	0	0			
Temporary Total Disablement	0	0			
Permanent Disablement	0	0			
Fatal	0	0			
<b>Total</b>	<b>0</b>	<b>0</b>			

**Table 4.3.2**

Number of days and Cost of sick leave (excluding Injuries on Duty)						
Salary band	Total Sick Leave Days	% Proportion of sick leave without medical certification	No. of employees using sick leave	Total no. of employees in post	Average sick leave per employee (Days)	Estimated cost (R)
Lower skilled & Skilled (Levels 1-5)	179		16	98	5	77971
Highly skilled production (Levels 6-8)	97		13	57	3	85861
Highly skilled supervision (Levels 9-14)	181		25	80	5	2223460
Middle management (Level 15-16)	94		9	11	5	187088
Senior management	9	0%	1	4	9	28083
MM	0	-	0	1	0	0
Total						

**Table 4.3.3**

Number and Period of Suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or Status of case and reasons why not finalized	Date finalized
Creditor and reconciliation officer	Financial Misconduct	18 September 2018	On Suspension, disciplinary acting in progress.	N/A
General Assistance	Assault	18 February 2019	On Suspension, disciplinary acting in progress.	N/A
Supervisor Roads	Assault	18 February 2019	On Suspension, disciplinary acting in progress.	N/A
Asset Control Officer	Financial Misconduct	18 September 2018	On Suspension, disciplinary acting in progress.	N/A
Internal Auditor	Financial Misconduct	18 September 2018	On Suspension, disciplinary acting in progress.	N/A

**Table 4.3.4**

Disciplinary Actions Taken On Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand Value of any loss PM	Disciplinary Action Take	Date Finalised
Asset Control Officer	Fictitious S&T claim	Suspended	-
Internal Auditor	Fictitious S&T claim	Suspended	-
Creditor and reconciliation officer	Fictitious S&T claim	Suspended	-

#### COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

No of Employees Whose Salaries Were Increased Due to Position Upgrade		
Beneficiaries	Gender	Total
Lower Skilled (Levels 1-2)	N/A	None
Skilled (Level 3-5)	N/A	None
Highly Skilled (Levels 6-8)	N/A	None
Highly Skilled Supervision (Level 9-11)	N/A	None
Management (Level 13 – 16)	N/A	None
MM and s56 Managers	N/A	None
Total	N/A	None

Employees Whose Salary Levels Exceeded The Grade Determined By Job Evaluation				
Occupation	No of Employees	Job Evaluation Level	Remuneration Level	Deviation Reasons
N/A	N/A	N/A	N/A	N/A

Employees Appointed to Unapproved Posts				
Department	Level	Appointment Date	No Appointed	Reasons for Appointment
N/A	N/A	N/A	N/A	N/A

## CHAPTER 5 – FINANCIAL PERFORMANCE

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

	Approved Budget	Adjustments	Final Budget	Actual amounts	Difference	% Move ment
Service charges	47 908 657		<b>47 908 657</b>	49 948 431	<b>2 039 774</b>	
Rental of facilities and equipment	454 579	3 399	<b>457 978</b>	595 149	<b>137 171</b>	
Interest received (trading)	8 096 103	2 763 923	<b>10 860 026</b>	10 906 497	<b>46 471</b>	
Agency Services	789 750	-	<b>789 750</b>	903 644	<b>(113 894)</b>	
Licenses and permits	1 566 485	(212 045)	<b>1 345 440</b>	1 476 333	<b>121 893</b>	
Other income	1 327 228	358 750	<b>1 685 798</b>	1 441 370	<b>(288 604)</b>	
Interest received - investment	1 548 583	(212 045)	<b>1 336 538</b>	1 520 370	<b>183 832</b>	
<b>Total revenue from exchange transactions</b>	<b>61 691 385</b>	<b>2 701 982</b>	<b>64 393 367</b>	<b>66 791 794</b>	<b>2 398 427</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	36 825 939	-	<b>36 825 939</b>	37 551 080	<b>725 141</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	128 282 700	5000 000	<b>133 282 700</b>	148 640 998	<b>15 358 298</b>	
Fines, Penalties and Forfeits	491 297	990 903	<b>1 482 200</b>	1 981 400	<b>499 200</b>	
<b>Total revenue from non- exchange transactions</b>	<b>165 599 936</b>	<b>5 990 903</b>	<b>171 590 839</b>	<b>188 173 478</b>	<b>16 582 639</b>	
<b>Total revenue</b>	<b>227 291 321</b>	<b>8 692 885</b>	<b>235 984 206</b>	<b>254 965 272</b>	<b>18 981 066</b>	
<b>Expenditure</b>						
Personnel	(89 102 986)	9 482 354	<b>(79 620 632)</b>	(83 197 340)	<b>(3 715 467)</b>	
Remuneration of councilors	(9 863 968)	237 617	<b>(9 626 351)</b>	(9 716 739)	<b>(90 388)</b>	
Contributions to provisions	-	-	<b>-</b>	-	<b>-</b>	
Depreciation and amortization	(12 741 900)	(2 258 100)	<b>(15 000 000)</b>	(13 259 004)	<b>1 740 996</b>	
Impairment loss/ Reversal of impairments	-	-	<b>-</b>	-	<b>-</b>	
Finance costs	(1 892 289)	-	<b>(1 892 289)</b>	(2 214 936)	<b>(322 647)</b>	
Debt Impairment	(15 707 255)	3 807 255	<b>(11 900 000)</b>	(19 114 494)	<b>(7 214 494)</b>	
Bulk purchases	(28 812 257)	-	<b>(28 812 257)</b>	(27 756 027)	<b>1 056 230</b>	
Contracted Services	(22 766 318)	(3 478 929)	<b>(26 245 247)</b>	(23 432 543)	<b>2 812 704</b>	
Transfers and subsidies	(2 534 659)	-	<b>(2 543 659)</b>	(316 376)	<b>2 227 283</b>	
General Expenses	(66 569 371)	(18 621 512)	<b>(85 190 883)</b>	(834 610 717)	<b>1 546 842</b>	
<b>Total expenditure</b>	<b>(250 000 003)</b>	<b>(10 831 315)</b>	<b>(260 831 318)</b>	<b>(263 618 176)</b>	<b>(1 958 947)</b>	
<b>Operating deficit</b>	<b>(22 708 608)</b>	<b>(2 138 430)</b>	<b>(24 487 221)</b>	<b>(8 652 904)</b>	<b>17 022 125</b>	
Loss on disposal of assets and liabilities	-	-	<b>-</b>	(332 842)	<b>(332 842)</b>	
Fair value adjustments	-	-	<b>-</b>	11 331 000	<b>11 331 000</b>	
Actuarial gains/losses	-	-	<b>-</b>	1 039 430	<b>1 039 430</b>	
<b>Surplus before taxation</b>	<b>(22 708 682)</b>	<b>(2 138 430)</b>	<b>(24 487 221)</b>	<b>3 922 601</b>	<b>28 231 796</b>	

#### Revenue performance

The total budgeted revenue for the 2018/19 was projected to R235.9 mil and the total generated revenue was sitting at R 254.9 Mil for the year ended 30 June 2019. This represent

a 108% of the budgeted revenue. Therefore, the municipality generated 8% more revenue than budgeted for.

The movement between 2018/19 and the previous financial year was R8 mil, this translate to a decrease of 3%. The main contributors to the drop in the total revenue is the decrease of R 14.9 Mil from government grants, which is one of the key sources of the Municipal Revenue.

### **Total Expenditure (operational)**

The total expenditure for 2018/19 was at 97% of the year budget of R260.8 mil. The overspending of 0.8% of the year budget was largely due to the overspending in General expenses amounting to R18.6 mil.

The expenditure for the 2018/19 year increased by R43.4 mil when comparing to the previous financial year. This increase translate to a 19.8% increase in expenditure for the year with is within the norm.

## **5.2 GRANTS**

The Municipality relies on many sources to be able to deliver services to the Community. The Majority of the funds used for capital project/ infrastructure is from capital grants. By the end of the financial year the municipality managed to spend the allocated funds amounting to 148.6 mil including equitable share amounting to R119.7 mil. The portion of unspent conditional grant by the end of the financial year amounted to R7.06 mil

Grants received during the year are detailed below:

	2019	2018
<b>Operating grants</b>		
Equitable share	119 730 000	107 145 949
Expanded Public Works Programme Grant	2 534 000	4 678 000
Financial Management Grant	1 970 000	1 900 000
Provincialisation of Libraries Grant	1 676 000	1 002 000
Community Libraries Services Grant	394 000	376 000
Municipal Infrastructure Grant	1 389 700	4 064 168
Pound Grant	-	167 000
Single Land Use Scheme	496 500	-
Sports Facility Grant	-	-
	<b>128 190 200</b>	<b>119 333 117</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant		29 676 832
Integrated National Electrification Programme Grant	20 450 798	9 001 494
Prior year adjustments		(14 501 497)
mall Town Improvement Grant		-
Sub-Rank Facility Grant		-
Imbube Cultural Village Grant		4 500 000
	<b>20 450 798</b>	<b>28 676 829</b>
	<b>148 640 998</b>	<b>148 009 946</b>

### 5.3 ASSET MANAGEMENT

The municipality has ensured that all previous year fixed asset errors are addressed with the assistance of Dynamic Dashing Solutions (Pty) Ltd who was appointed again to compile the 2018/19 Asset Register. The terms of reference included the following:

- Physical verification of all movable assets;
- Physical verification of infrastructure (immovable) assets;
- Review of assets under construction (AUC), analysis of 2018/19 capital expenditure and WIP completed during the 2018/19 financial year;
- Unbundling of infrastructure assets acquired (WIP completed) as required by GRAP17;
- Review of remaining useful lives (RUL) of infrastructure and movables assets;
- Identification and review of possible impairment of infrastructure and movable assets;
- Implementation and review of disposal during the 2018/19 financial year;
- Perform the depreciation charge calculation for 2018/19 financial year;
- Provide journals, disclosure notes and annexures in the annual financial statements and accounting policies;
- Respond to all relevant GRAP asset audit queries; and
- The net movement in the carrying amount of Property Plant and Equipment

**Table 5.3.1**

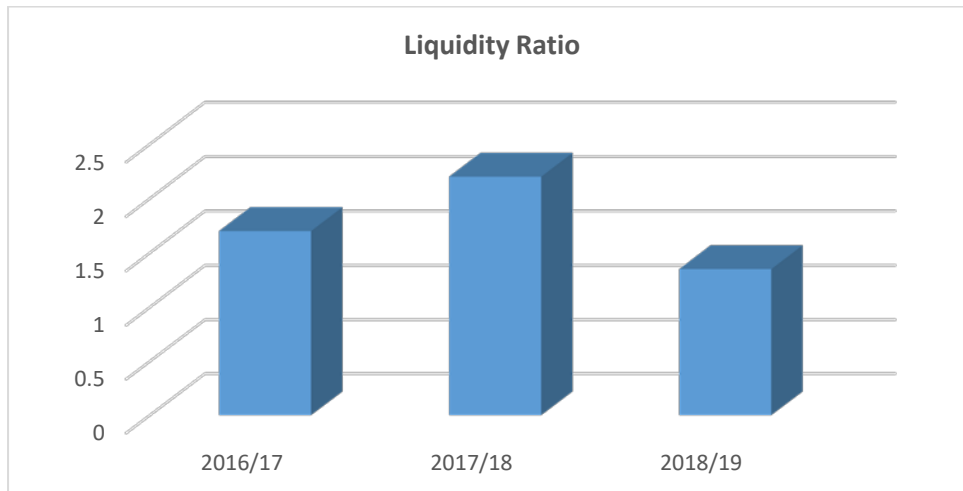
Asset Register at 30 June 2019

Details	Carrying amount – 30-Jun-2018	Carrying Amount – 30-Jun-2019	% change
Land	64 602 265	64 602 265	0
Buildings	38 848 674	47 419 138	22.1
Landfill site	5 505 095	5 505 095	0
Other Property, plant and equipment	15 010 805	19 939 192	32.8
AUC-Roads and Storm-water	21 815 166	11 308 421	48.1%
AUC- Buildings	24 257 179	29 105 961	20
AUC- Electricity	65 150 041	65 150 041	0
Infrastructure	129 352 850	131 931 736	2
Total PPE and Investment Property value	364 542 075	374 961 849	2.9

As the table shows the asset value per the asset register grew by 2.9% between 01 July 2018 and 30 June 2019. The largest growth was in other property, plant and equipment which had a 32.8% increase . The second largest growth was under buildings with an increase of 22.1%.

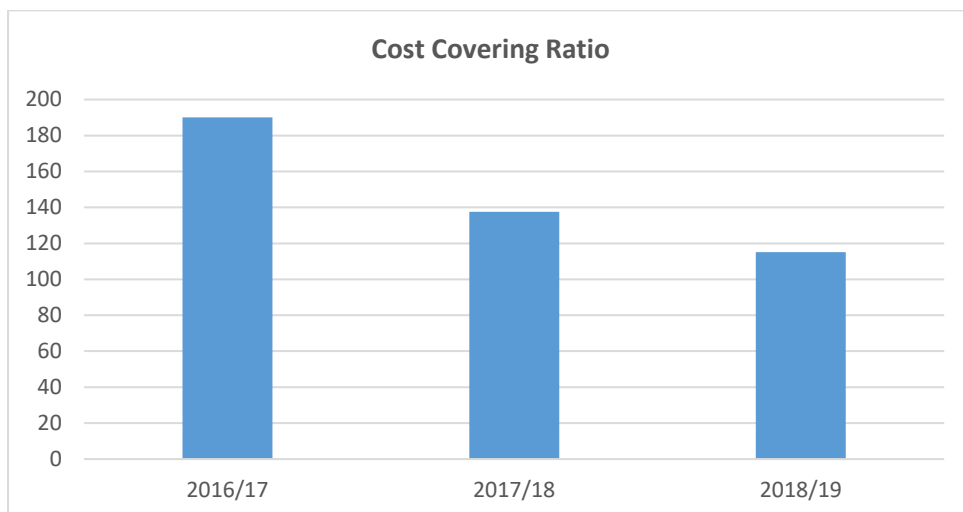
## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

### Liquidity Ratio



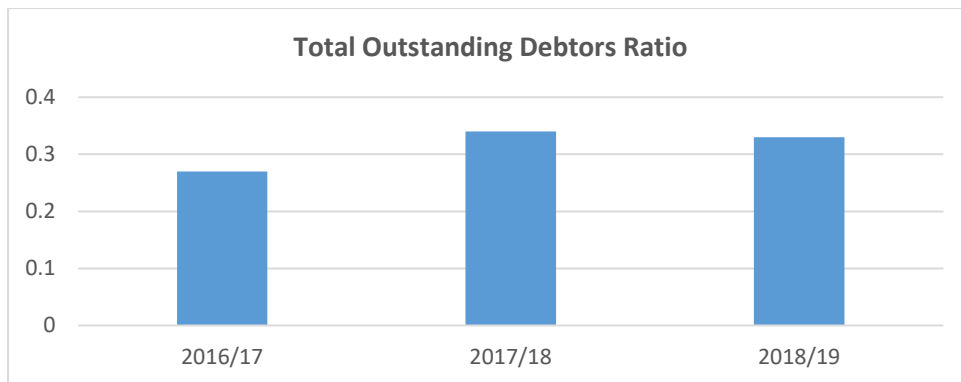
A sound cash position was achieved with the current ratio result of 1,4:1 for the year under review compared to the achievement of 2,2:1 in 2017/18 financial year. Management applied and influenced sound financial and good governance principles.

### Cost Coverage Ratio



The cost coverage ratio for the 2019 and 2018 financial years shows a decrease comparing to the 2016/17 financial year. The Municipality's revenue can cover its finance costs 115 times does not have sufficient cash to cover its costs.

## Total Outstanding Debtors Ratio



Total outstanding ratio has improved from 0.34 in 2018 to 0.33 in the year under review. The municipality put measures in place to improve the financial situation.

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

#### 5.5 CAPITAL EXPENDITURE

Only 88% of the capital budget was spent during the year under review. Measures and mechanism have been put in place in addressing this matter going forward.

#### 5.6 SOURCES OF FINANCE

The majority of the capital project are financed with the grants received from Cogta and DOE. The total capital grants received amounted to R20.4 mil, down from R28.6 mil. Funding for the Plant and motor vehicles in from financial institutions in a form of loans/instalment sale agreement. The total outstanding loans used to finance purchases of Plant and Motor vehicles was R 5.4 mil.

#### 5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The need and cost of backlogs are the result of migration into an area: migration out of an area: the trend towards disaggregation of families into more than one housing unit: and the cost of renewing and upgrading core infrastructure.

Table 5.7.1

Service Backlogs as at 30 June 2019				
	Service level above minimum standard		Service level below minimum standard	
	No of Households	%	No of Households	%
		Households		Households
Electricity	28 772	73	7 768	17
Refuse	5 563	19.34	1 201	4.17
Water (ZDM)	15026	52%	13746	48%
Sanitation (ZDM)	12334	43%	16438	57%

The vision of the municipality is to ensure an inclusive socio-economy by providing quality services that yield a better life for all by 2035. The current challenges that the Community of uPhongolo faces when it comes to infrastructure and basic services were inherited from the pre-1994 era.

It is a challenge that the municipality has been work hard to overcome and is close to addressing some of the back logs. Electricity currently has a back log of less than 15% which is a good improvement. Other community infrastructure is also being address on a yearly basis and below is a list of project planned for the next three years.

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW

The vision of the municipality is to ensure an inclusive socio-economy by providing quality services that yield a better life for all by 2035. The current challenges that the Community of uPhongolo faces when it comes to infrastructure and basic services were inherited from the pre-1994 era.

It is a challenge that the municipality has been work hard to overcome and is close to addressing some of the back logs. Electricity currently has a back log of less than 15% which is a good improvement. Other community infrastructure is also being address on a yearly basis and below is a list of project planned for the next three years.

Capital Expenditure Allocations	Ward	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22	Source of Funds	Status of projects
		R	R	R		
<b>MIG Programme</b>		<b>26 886 900</b>	<b>28 222 600</b>	<b>30 145 400</b>	MIG	
Dwarsland Creche	<b>1</b>	905 000			MIG	NEW
Hlambanyathi Creche	<b>14</b>	905 000			MIG	NEW
uPhongolo Sport Ground	<b>15</b>	2 000 000			MIG	NEW
Ncotshane Multi-purpose Sport field	<b>10</b>	750 000			MIG	ONGOING
Pongola Sub-Rank Facility Phase 2	<b>11</b>	5 099 999.60			MIG	NEW
uPhongolo Sport Ground	<b>6</b>	2 000 000			MIG	NEW
Esigungwini Sport field	<b>11</b>	125 000			MIG	ONGOING
Sport Field	<b>12</b>	2 001 000			MIG	NEW
Mashobane Community Hall	<b>6</b>	528 383.35			MIG	ONGOING
Mashulu Creche Phase 2	<b>13</b>	630 000			MIG	NEW
Community Hall	<b>14</b>	1 500 000			MIG	NEW
Sithwelekanzima Creche Phase 2	<b>10</b>	850 000			MIG	NEW

<b>Capital Expenditure Allocations</b>	<b>Ward</b>	<b>Budget Year 2019/20</b>	<b>Budget Year 2020/21</b>	<b>Budget Year 2021/22</b>	<b>Source of Funds</b>	<b>Status of projects</b>
Kranskloof Community Hall Phase 2	13	2 000 000			MIG	NEW
Upgrade of Mkhwakhweni sport field-phase 2	13	5 400 000			MIG	NEW
Pongola Tarred Roads	11	621 000			MIG	ONGOING
Mkhiwaneni Sport field	9	1 571 518.05			MIG	NEW
Mkhiwaneni Sport field	9		3 000 000		MIG	NEW
Multi-purpose Sport	11		5 500 000		MIG	NEW
Paving Road ZCC 13	13		5 122 600		MIG	NEW
Upgrading of Magadlela	2		4 100 000		MIG	NEW
Belgade Paving Road	5		3 500 000		MIG	NEW
N2 to Thandukukhanya Road	7		3 500 000		MIG	NEW
Kwathengizwe Sport Field	4		3 500 000		MIG	NEW
Hall	8			2 500 000	MIG	NEW
Hall	12			2 500 000	MIG	NEW
Creche	8			600 000	MIG	NEW
Tar Road	10			2 000 000	MIG	NEW
Creche	15			600 000	MIG	NEW
Sport Complex	6			1 500 000	MIG	NEW
Zonyama Hall	14			2 500 000	MIG	NEW
Sport field	8			1 500 000	MIG	NEW
Creche	5			600 000	MIG	NEW

Capital Expenditure Allocations	Ward	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22	Source of Funds	Status of projects
Sport field	13			1 500 000	MIG	NEW
Sport field	15			1 500 000	MIG	NEW
Road Tarring	5			1 145 400	MIG	NEW
Candover Creche	14			600 000	MIG	NEW
Creche	3			600 000	MIG	NEW
Creche	8			600 000	MIG	NEW
Creche	10			600 000	MIG	NEW
Buhlebemvelo Creche	2			600 000	MIG	NEW
Mavithi Hall	11			2 500 000	MIG	NEW
Creche	12			600 000	MIG	NEW
Sivule Hall	7			2 500 000	MIG	NEW
Ngedle Creche	13			600 000	MIG	NEW
Mpakama Hall	1			2 500 000	MIG	NEW
<b>Other Capital Assets</b>		<b>10 437 563</b>	<b>5 133 900</b>	<b>3 000 000</b>	BORROWING & OWN REVENUE	
Furniture and Fittings		320 000			OWN REVENUE	
Machinery and Equipment		1 970 000			OWN REVENUE	
Computer Equipment		1 360 900	1 273 900		OWN REVENUE	
Other Assets		6 606 663	3 860 000	3 000 000	OWN REVENUE	
<b>TOTAL</b>		<b>37 324 463</b>	<b>33 356 500</b>	<b>33 145 400</b>	OWN REVENUE	

## COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

### 5.9 CASH FLOW

Table 5.9.1

#### Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
Receipts			
Sale of goods and services		66 880 250	68 645 944
Grants		148 640 998	148 009 949
Interest income		1 520 370	1 357 451
		<b>217 041 618</b>	<b>218 013 344</b>
<b>Payments</b>			
Employee costs		(83 336 099)	(74 468 744)
Suppliers		(88 760 328)	(88 321 042)
Finance costs		(2 214 936)	(1 750 955)
Councillors allowances		(9 716 738)	(9 371 468)
		<b>(184 028 101)</b>	<b>(173 912 209)</b>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>33 013 517</b>	<b>44 101 135</b>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(24 517 244)	(47 625 907)
Purchase of other intangible assets	4	-	(416 336)
<b>Net cash flows from investing activities</b>		<b>(24 517 244)</b>	<b>(48 042 243)</b>
Cash flows from financing activities			
Repayments on Borrowings		(4 536 380)	(2 152 320)
Proceeds on Borrowings		2 756 225	4 940 038
<b>Net cash flows from financing activities</b>		<b>(1 780 155)</b>	<b>2 787 718</b>
Net increase/(decrease) in cash and cash equivalents		6 716 116	(1 153 390)
Cash and cash equivalents at the beginning of the year		450 470	1 603 860
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>7 166 586</b>	<b>450 470</b>

## 5.10 BORROWING AND INVESTMENTS

### Actual Borrowings

#### Standard Bank

The municipality has a loan with Standard Bank for the purchase of property, plant and equipment. The loan bears interest at an average effective borrowing rate of 9.75% per annum. The loan is repayable on a monthly basis with final payment due on 30 April 2019.

#### Fleet Horizon Solutions:

The municipality has a loan with Fleet Horizon for the purchase of property, plant and equipment. The loan bears interest at an average effective borrowing rate of 15.5% per annum. The loan is repayable on a monthly basis with final payment due on 30 April 2021. Certain motor vehicles, and plant and machinery with a combined carrying value of R 5 310 853 and monthly repayments (R229 254.43) have been pledged as security.

### Investments

Account Number / Description	Bank Statement Balances	
	30 June 2019	30 June 2018 390 244
First National Bank- 62027530858 (Primary Bank Acc)	7 097 007	390 244
First National Bank-62375342377	94	-
First National Bank-62377992104	182	-
First National Bank-62389585286	865	-
First National Bank-62389586507	7 689	7 458
First National Bank-62404561377	87	-
First National Bank-62404287345	1 311	-
First National Bank-62658357001	5 025	4 872
First National Bank-62305239718	158	-
First National Bank-74275780911	47 417	44 871
First National Bank-62596797559	4	4
First National Bank-62253771896	3 022	-
First National Bank-62230436405	22	-
Standard Bank-068686234-003	1 347	1 347
Cash on hand	2 327	1 674
<b>Total</b>	<b>7 166 587</b>	<b>450 470</b>

The table above is showing cash and cash equivalents of the municipality which is R7 166 587 as at 30 June 2019. This is an increase of R6 716 117 from the previous year.

## 5.11 PUBLIC PRIVATE PARTNERSHIPS

The Municipality does not have any Public Private Partnership agreements in place.

## 5.12 SUPPLY CHAIN MANAGEMENT

The Municipality has a fully functioning SCM unit that is headed by the SCM Manager.

## 5.13 GRAP COMPLIANCE

The municipality appointed Dynamic Dashing Solutions for assistance with the asset register to ensure that it complies 100% with GRAP requirements for this financial year.

## **CHAPTER 6 – AUDIT REPORT FROM THE AUDITOR GENERAL AUDIT**

# Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on uPhongolo Local Municipality

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

1. I have audited the financial statements of the uPhongolo Municipality set out on pages 134 to 226 which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uPhongolo Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

### *Basis for opinion*

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Emphasis of matters*

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### *Material impairment – receivables from exchange and non-exchange transactions*

7. As disclosed in note 10 to the financial statements, receivables from exchange transactions were impaired by a total of R95,63 million (2017-18: R81,78 million), as the recoverability of these debts were doubtful.
8. As disclosed in note 8 to the financial statements, receivables from non-exchange transactions were impaired by a total of R9,89 million (2017-18: R4,62 million), as the recoverability of these debts were doubtful.

#### *Material losses – electricity*

9. As disclosed in note 51 to the financial statements, material electricity losses of R3,20 million was incurred, which represents 11,4% of total electricity purchased. The electricity losses were mainly due to technical losses and illegal connections.

#### *Restatement of corresponding figures*

10. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Other matter

11. I draw attention to the matter below.

#### *Unaudited disclosure notes*

12. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the uPhongolo Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably

be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
18. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery development priority presented in the annual performance report of the municipality for the year ended 30 June 2019.
20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the basic service delivery development priority.

### Other matters

22. I draw attention to the matters below.

#### *Achievement of planned targets*

23. The annual performance report on pages 39 to 69 includes information on the achievement of planned targets for the year.

#### *Adjustment of material misstatements*

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the basic

service delivery development priority. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

### **Introduction and scope**

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislation are as follows:

### **Annual financial statements**

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

28. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R183 342 as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by overpayment to suppliers and interest charged by suppliers due to late payment of invoices.

### **Procurement and contract management**

29. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).

30. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

31. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

32. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

### *Consequence management*

33. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure as required by section 32(2)(a) of the MFMA.
34. Irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure as required by section 32(2)(b) of the MFMA.

### **OTHER INFORMATION**

35. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.
36. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
37. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### **Internal control deficiencies**

39. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on compliance with legislation included in this report.

40. The accounting officer did not provide adequate oversight regarding preparation of the financial statements and compliance with applicable laws and regulations. Consequently, material adjustments were made to the financial statements resulting in non-compliance.
41. Management did not adequately monitor and review compliance with laws and regulations. This is evident from the findings identified on procurement and expenditure management.

*Auditor-General*

Pietermaritzburg

30 November 2019



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality’s compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the uPhongolo Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## **ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT**

5. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

### **Financial statements**

6. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the uPhongolo Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

7. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## UPHONGOLO MUNICIPALITY AUDIT ACTION PLAN

### ACTION PLAN ON AUDITOR GENERAL FINDINGS: YEAR ENDED 30 JUNE 2019

Item #	Reference to audit report / management report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date
7	Paragraph 7 / Audit report	As disclosed in note 10 to the financial statements, receivables from exchange transactions were impaired by a total of R95,63 million (2017-18: R81,78 million), as the recoverability of these debts were doubtful.	Accounts receivables	Impairment of receivables from exchange transactions	Chief Financial Officer	1. Appoint Collection and Indigent Officer 2. Appoint the Service Provider to verify the indigent register 3. Monitor the implementation of the credit control policy and indigent register 4. Recover government debt by using the existing inter-government relations structures	31-Mar-20
8	Paragraph 8 / Audit report	As disclosed in note 8 to the financial statements, receivables from non-exchange transactions were impaired by a total of R9,89 million (2017-18: R4,62 million), as the recoverability of these debts were doubtful.	Accounts receivables	Impairment of receivables from non-exchange transactions	Chief Financial Officer	1. Appoint Collection and Indigent Officer 2. Appoint the Service Provider to verify the indigent register 3. Monitor the implementation of the credit control policy and indigent register 4. Recover government debt by using the existing inter-government relations structures	31-Mar-20
9	Paragraph 9 / Audit report	As disclosed in note 51 to the financial statements, material electricity losses of R3,20 million were incurred, which represents 11,4% of total electricity purchased. The electricity losses were mainly due to technical losses and illegal connections.	Distribution losses	Electricity distribution losses	Director: Technical services	1. Replace faulty meters 2. Account for municipal consumption and street lights in town 3. Ensuring that all meters are read on a regular basis	Immediately

Item #	Reference to audit report / management report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date
10	Paragraph 10 / Audit report	As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year-ended, 30 June 2019.	Financial Statements	Payables, Revenue, Receivables, Asset Management and Expenditure.	Chief Financial Officer	1. Ensure that financial statements are prepared monthly 2. Ensure that the annual financial statements are adequately reviewed by management (first level assurance). 3. Ensure that the annual financial statements are adequately reviewed by Internal audit unit and audit committee (second level assurance).	28-Feb-20
1	Annexure A / Management report	Fruitless and Wasteful Expenditure not prevented. Furthermore the municipality did not investigate unauthorised, fruitless, wasteful and irregular expenditure incurred in the previous and current year to determine if a person can be held liable.	Compliance	Supply Chain and Expenditure Management	Chief Financial Officer / SCM Manager / Manager Financial Services	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately
2	Annexure A / Management report	Awards relating to designated sectors were made without evidence that the supplier meets the minimum threshold for local content and production.	Compliance	Supply Chain Management	Chief Financial Officer / SCM Manager	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately
3	Annexure A / Management report	No declaration of interest. MBD4 forms were not submitted by winning suppliers,	Compliance	Supply Chain Management	Chief Financial Officer / SCM Manager	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately
4	Annexure A / Management report	In the procurement of certain goods and services, the three quotations as required by the SCM regulations and the supply chain management policy were not obtained.	Compliance	Supply Chain Management	Chief Financial Officer / SCM Manager	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately

Item #	Reference to audit report / management report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date
5	Annexure A / Management report	Materials differences identified with regards to the additions on assets as well as the progress on the assets under construction.	Compliance	Asset Management	Chief Financial Officer/ Finance Manager	1. Ensure that financial statements are prepared monthly 2. Ensure that the annual financial statements are adequately reviewed by management (first level assurance). 3. Ensure that the annual financial statements are adequately reviewed by Internal audit unit and audit committee (second level assurance).	28-Feb-20
6	Annexure B / Management report	Suppliers did not declare having staff or members that are working in other state institutions.	Compliance	Supply Chain Management	Chief Financial Officer / SCM Manager	1. Implement a SCM checklist, to be attached to each expenditure voucher. 2. Strictly monitor the implementation of the SCM checklist.	Immediately
7	Annexure B / Management report	Payments to suppliers and service providers were not made within 30 days of the receipt of invoice.	Compliance	Expenditure Management	Chief Financial Officer/ Finance Manager	1. Expenditure Accountant to ensure that all invoices are date stamped. 2. The creditors section will ensure that regular follow up is made on outstanding invoices in conjunction with the Supply chain management by reviewing outstanding order file. 3. Improve cash flow by improving debts collection and use the money collected to pay creditors within 30 days.	Immediately

Item #	Reference to audit report / management report	Finding	Audit Area	Component Affected	Person Responsible	Action Plan	Action Date
8	Annexure B / Management report	The Internal Audit unit was not effective for the 2018/19 financial year due to vacancies and hence the Internal Audit plan approved by the Audit Committee was not executed.	Compliance	Internal Audit	Municipal Manager	1. The internal audit was not functional in 2018/2019 period due to the person of the Chief Internal Auditor being vacant. The position of Chief Internal Auditor was filled during May 2019 hence the unit is functional in the current 2019/2020 financial period.	Immediately
9	Annexure B / Management report	The core function relating to roads development and infrastructure did not include relevant performance indicators under the basic service delivery and infrastructure development priority. An analysis of the prior year annual performance report identified the strategies and indicators which were not included and measured in the current year but were reported on in the prior year.	Performance information	Basic services and infrastructure development	Municipal Manager	1. To ensure validation of reported performance against supporting evidence for validity, accuracy and completeness. 2. To ensure a review of the annual performance report by management (first level assurance). 3. To ensure a review of the annual performance report by Internal audit unit and audit committee (second level assurance).	31-Aug-20
10	Annexure C / Management report	The municipality does not have a clearly defined process to prepare the Annual Procurement Plan.	Compliance	Supply Chain Management	Chief Financial Officer / SCM Manager	1. Ensure that draft annual procurement plan is submitted to Senior MANCO 2. Ensure that final procurement plan is submitted to Senior MANCO by 30 June 2020	31-Mar-20
11	Annexure C / Management report	The Fixed Asset Register does not disclose the source of funding for all assets both capitalised as well as assets under construction.	Compliance	Asset Management	Chief Financial Officer/ Finance Manager	1. Prepare and update the fixed asset register on a monthly basis 2. Include source of funding column in the fixed asset register	30-Jun-20

APPENDIX A: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE						
No	Name Of Councillor	Full Time/ Part Time FT/PT	Committees Allocated	Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies For Non-Attendance
1	Cllr B C Nhlabathi - Mayor	PT	Finance, Corporate Services & Technical Services, EXCO	ANC/ PR	100	-
2	Cllr B Mvelase - Deputy Mayor	PT	Finance, Corporate Services, Social Services, Planning Development and LED, EXCO	ANC/ 10	100	-
3	Cllr V G Masuku - Speaker	PT		ANC/ PR	100	-
4	Cllr AZ Thabede	PT	Finance	IFP/ PR	100	-
5	Cllr P S Ntshangase	PT	Corporate Services	ANC/ 3	100	-
6	Cllr N T Mavimbela	PT	Corporate Services	ANC/ 5	100	-
7	Cllr N Mntungwa	PT	MPAC	ANC/ 7	100	-
8	Cllr C B Ndlangamandla	PT	Planning and Development and LED	ANC/ 8	87,5	100
9	Cllr B C Gumbi	PT	Social Services	ANC/ 9	100	-
10	Cllr N J Mkhwanazi	PT	Planning and Development and LED	ANC/ 2	100	-
11	Cllr I A Stokfeer	PT	EXCO, Finance, Technical Services, Planning Development & LED	ANC/ 11	93,75	100
12	Cllr S V Ndlangamandla	PT	Technical Services	ANC/ 12	100	-
13	Cllr D Nyawo	PT	MPAC, Social Services	ANC/ 13	93,75	100
14	Cllr N E Nxumalo	PT	Social Services	ANC/ 14	93,75	100

No	Name Of Councillor	Full Time/ Part Time FT/PT	Committees Allocated	Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies For Non-Attendance
15	Cllr J S Myeni	PT	Finance and MPAC	ANC/ 15	100	-
16	Cllr J C Theron	PT	MPAC	DA/ PR	93,75	100
17	Cllr D M Nkanjabanga	PT	Social Services	DA/ PR	93,75	100
18	Cllr S R Ntshangase	PT	Planning and Development and LED	EFF/ PR	93,75	100
19	Cllr F F Simelane	PT	Finance & Technical Services	Independent/ 1	100	-
20	Cllr K E Nxumalo	PT	EXCO, Social Services	IFP/ PR	87,5	100
21	Cllr B R Shongwe	PT	Corporate Services, Technical Services	IFP/ PR	100	-
22	Cllr V M Sikhosana	PT	Planning and Development and LED	IFP/ PR	93,75	100
23	Cllr M S Masuku	PT	Technical Services	IFP/ PR	100	-
24	Cllr G H Mpanza	PT	Corporate Services	DA/ PR	100	-
25	Cllr J W Buthelezi	PT	Social Services	IFP/ PR	100	-
26	Cllr Z Khumalo	PT	Corporate Services	IFP/ PR	87,5	100
27	Cllr E N Buthelezi	PT	Finance and EXCO	IFP/ 4	87,5	100
28	Cllr N P Mavuso	PT	MPAC, Social Services, Planning and Development and LED	IFP/ 6	93,75	100
29	Cllr T A Ntshangase	PT	Finance	ANC/ 7	100	100

## APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
HR/ STAFF COMMITTEE	The responsibilities of the Human Resources/Staff Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
FINANCE COMMITTEE	The responsibilities of the Finance Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy;
	(b) to develop and recommend by-laws;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP, and budget;
	(e) to monitor the implementation of Council policies; and
	(f) to exercise oversight on all functional areas.
SOCIAL COMMUNITY & LED COMMITTEE	The responsibilities of the Social, Community and Local Economic Development Portfolio Committee, in respect of its functional areas, are:
	(a) to develop and recommend strategy on all functional areas;
	(b) to develop and recommend by-laws on all functional areas ;
	(c) to consider and make recommendations in respect of the draft budget and IDP;
	(d) to ensure public participation in the development of policy, legislation, IDP And budget;
	(e) to monitor the implementation of Council policies on all functional areas; and
	(f) to exercise oversight on all functional areas.
MPAC	
	MPAC performs an oversight function on behalf of the Council it is not a duplication of, and must not be confused with either the Internal Audit Committee or the Finance Committee. MPAC is to help Council to hold the executive and municipal administration to account and to ensure the efficient and effective use of municipal resources and it will do this by reviewing public accounts and exercising oversight on behalf of Council.

Municipal Committees	Purpose of Committee
TECHNICAL INFRASTRUCTURE & PLANNING	The Technical Infrastructure & Planning Portfolio Committee will formulate recommendations for consideration by the Executive Committee in relation to:
	Issues delegated to it by the Executive Committee or referred to it by the Municipal Manager;
	Consideration of the Capital and Operating Expenditure as provided for in the budget for the current financial year and the right to
	Authorize expenditure where such budgeted expenditure has been provisionally approved but excluding the right to
	Reallocate expenditure from one vote to another or to the provisional status of funds where applicable;
	Dealing with issues pertaining to the Council's Technical Infrastructure and
	Planning Services;
	Implementing all policies and projects approved by the Council falling within the Terms of Reference of this
	Committee; Advising on the provision of appropriate facilities for the benefit of the inhabitants of the municipal area of jurisdiction;
	Annual business plans falling within the functional area of the portfolio;
	The implementation of the business plans of the functional areas of the portfolio;
	The review of financial performance against approved budgets relating to prior and current years including dealing with reports from the Auditor General
	The draft budget in respect of the functional areas of the portfolio, including tariffs of charges after consultation with the relevant Head of Department;
	Reports and recommendations submitted in respect of the functional areas of the portfolio including comment arising from its
	Consideration of or amendments to by-laws pertaining to the function of the portfolio;
	Prioritising projects falling within the functional areas of the portfolio;
	The Portfolio Committee may consult with the Municipal Manager and the relevant Head of Department on Council's policies and programmes.

## APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Local Economic Development	LED Manager – Mr T Mazibuko
Internal Audit	Internal Audit Manager – Mr S Manqele
Project Management Unit	PMU Manager – Mr S Nkwanyane
Budget	Budget Manager – Mr S Mkhize
Risk and Performance	Risk and Performance Manager – Mr M Mdluli
Supply Chain Management	SCM Manager - Mr T Dlamini
Protection Services	Manager Protection Services – Mr S D Sithole
Thusong Center	Thusong Manager – Mr T Masondo
Corporate Services	Human Resource - Mrs S Simelani

## APPENDIX D: FUNCTIONS OF THE MUNICIPALITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	No
Electricity and gas reticulation	Yes	No
Firefighting services	Yes	No
Local tourism	Yes	No
Municipal airports	No	No
Municipal planning	Yes	No
Municipal health services	No	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	No
Storm water management systems in built-up areas	Yes	No
Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	No
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	No
Cemeteries, funeral parlours and crematoria	Yes	No
Cleansing	Yes	No
Control of public nuisances	Yes	No
Control of undertakings that sell liquor to the public	No	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	No	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	Yes	No
Local sport facilities	Yes	No
Markets	Yes	No
Municipal abattoirs	No	No
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	No
Pounds	Yes	No
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No

## APPENDIX E: WARD INFORMATION

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
1	CLLR FF SIMELANE	SHONGWE	THOKOZILE SIBONGILE	FAITH BASED	Yes	12	4	20
		DLAMINI	ZAKHELE ZENZELE	SPORTS				
		DLAMINI	SIFISO SIKHUMBUZO	EDUCATION				
		NGEMA	ZAKHELE MTHOBENI	YOUTH				
		BUTHELEZI	THANDIZWE ISHMAEL	SENIOR CITISENS/PHYSICALLY CHALLENGED				
		DLAMINI	MATHAYI MOSES	SAFETY&SECURITY				
		MASANGO	DUMAZILE GLENROSE	HEALTH&SOC DEV				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		BUTHELEZI	THANDAZILE NESTER	WOMEN				
		MASANGO	DERRICK LINDIZWE	TRANSPORT				
2	CLLR NJ MKHWANAZI	MATHENJWA	QONDILE ESTHER	FAITH BASED	Yes	12	4	6
		MYENI	SIFISO HENRY	CIVIL SOCIETY				
		KLEINBOOI	DUDUZILE BETTY	WOMEN				
		MKHWEBANE	NKOSINATHI GILBERT	TRANSPORT				
		MAHLOBO	SANDILE FREDDY	SAFETY& SECURITY				
		SIMELANE	LUKE MANDLA	BUSINESS				
		NYAWO	JABU HAPPINESS	HEALTH &SOCIAL DEV				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NXUMALO	ROBERT MFANUFIKILE	YOUTH				
		MATHE	MDUDUZI SIPHO	SPORTS				
		MATHEBULA	SAMUEL MANDLENKOSI	EDUCATION				
3	CLLR PS NTSHANGASE	SIBIYA	MTHOKOZISI THULANI	BUSINESS				
		MSIBI	MTHENGANI JABULANI	TRADITIONAL				
		SIBIYA	AYANDA ANITAH	HEALTH & SOCIAL DEV				
		KHANYI	NKOSINATHI PATIENCE	WOMEN				
		MSIBI	SIPHAMEHLO WISEMAN	PHYSICALLY CHALLENGED				
		SIBIYA	NKOMOKAZIPHELELI DARIUS	FAITH BASED				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		SIBIYA	SIYABONGA MDUMISENI	YOUTH				
		SIBIYA	GREAT LINDANI	SPORTS				
		SIBIYA	THULANI C	SAFETY&SECURITY				
		MADONSELA	NOMTHANDAZO MONICA	TRANSPORT				
4	CLLR EN BUTHELEZI	MKHWANAZI	NTOMBENHLE MIRRIAM	WOMEN				
		MKHWANAZI	NOMFUNDO PEARL	BUSINESS				
		MNTUNGWA	BHEKOKWAKHE HUMPREY	TRANSPORT				
		KHUMALO	DORIS THANDWA	PHYSICALLY CHALLENGED				
		SITHOLE	MADODA ALTON	SAFETY & SECURITY				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		ZIYANE	BONGINKOSI SIBUSISO	SPORTS				
		SHABANGU	MZWELANI HOPEWELL	YOUTH				
		XABA	NKOSINATHI CHRISTOPHER	EDUCATION/ FARMERS				
		MNGOMEZULU	THOKO ZANELE	FAITH BASED				
5	CLLR NT MAVIMBELA	NGWENYA	NOZIPHO PATIENCE	SAFETY&SECURITY				
		NTSHANGASE	NDLOZILEMA JOSEPH	FAITH BASED				
		NKOSI	TSHENGISILE REBBECA	WOMEN/SOCIAL DEV				
		NKOSI	THULANI GILBERT	TRANSPORT				
		MTSHALI	JABULANI J	TRADITIONAL				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NDINISA	MADODA NTINGANA	PHYSICALLY CHALLENGED				
		KUNENE	SIPHO MFANUFIKILE	SPORTS				
		MSIMANGO	SANDILE SIYABONGA B	YOUTH				
		NKOSI	ELIZABETH SIBONGILE	BUSINESS				
		MSIBI	THAMI MFANIMPELA	EDUCATION				
6	CLL NP MAVUSO	SIBIYA	WELCOME BHEKINKOSI	YOUTH &SPORTS	Yes	12	4	22
		MALINGA	MVUMELENI ANDERSON	TRADITIONAL				
		MAVUSO	BETRAM BONWAYINKOSI	TRANSPORT				
		MASUKU	STAFFNURSE HAZEL	WOMEN				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		SIBIYA	PRUDENCE CELUMUSA	HEALTH&SOCIAL DEV				
		MALINGA	ZIBUSE AMON	SAFETY&SECURITY				
		SIBIYA	VUYISWA VALENTINE	PHYSICALLY CHALLENGED				
		SIBIYA	HAPPY ZONE	FARM WORKERS				
		DLUDLU	NHLANHLA ICABORD	TOURISM/ ENVIRONMENT				
		SIBIYA	CELINHALNHLA GLOREY	EDUCATION				
7	CLLR T NTSHANGASE	NTSHANGASE	ANDRIES MGAZIFIHLENI	SAFETY & SECURITY	Yes	12	4	22
		SHABANGU	SELBY MDUDUZI	TRADITIONAL				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		MAUPA	ZIPHOKUHLE NURSE	HEALTH&SOCIAL/ TRANSPORT				
		NGWENYA	KIKI HAPPINESS	WOMEN/PHYSICALLY CHALLENGED				
		KHUMALO	DUMILE SAMUEL	SENIOR CITISENS				
		MAMBA	GUGULAKHE CHRISTOPHER	TOURISM/ENVIRONMENT				
		SIKHOSANA	NKULULEKO KHULEKAN C	YOUTH				
		MAVUSO	HAMBOFAYO ZACHARIA	AGRICULTURE/FAITH BASED				
		SKHOSANA	PHINDAVELE	BUSINESS				
		YENDE	SAMSON ZWELINJANI	CIVIL SOCIETY				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
8	CLLR CB NDLANGAMANDLA	NKOSI	MPISIYAKHE EXCELLENT	TRANSPORT	Yes	12	4	10
		MHLONGO	SIPHIWE PRAYER	HEALTH & WELFARE				
		NTSHANGASE	LUNGISILE TREASURE	EDUCATION				
		DLAMINI	PHATHI WELCOME	FAITH BASED				
		DLAMINI	SENZELENI JELLITA	WOMEN				
		NXUMALO	BUSISIWE ZANELE	AGRICULTURE				
		SHABANGU	CELWAPHI ALEXINAH	BUSINESS				
		DHLAMINI	NKOSINATHI CYRIL	YOUTH				
		MASONDO	THOKOZILE ALBERTINA	TRADITIONAL				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		SIBIYA	BONGANI	SPORTS				
9	CLLR BC GUMBI	SIMELANE	LONDEKILE S	EDUCATION	Yes	12	4	10
		KUNENE	PRIMROSE PHAKAMILE	YOUTH				
		SIKHOSANA	SIPHIWE ALETAH	WOMEN				
		MYENI	THOBKILE PATIENCE	TRANSPORT				
		SHAMASE	NOMUSA PORTIA	PHYSICALLY CHALLENGED				
		THABEDE	NKOSINGIPHILE PATRICK	SPORTS				
		NTSHAKALA	MBHEKISENI NICJHOLUS	FAITH BASED				
		BUTHELEZI	THANDAZILE CONSTANCE	SAFETY & SECURITY				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NTSHANGASE	BOKONYA SAMSON	TRADITIONAL				
		NSIBANDE	SAMUKELISIWE THULISILE	BUSINESS				
10	CLLR BC MVELASE	XABA	THOKO BEATRICE	TRADITIONAL	Yes	12	4	8
		HLATSHWAYO	NOKULUNGA NURSE	WOMEN				
		MOLEFE	SIMON THULANE	BUSINESS				
		DUZE	MSIZI	YOUTH				
		MAVUSO	NELISIWE ELIZABETH	FAITH BASED				
		THABEDE	SIZIWE MARGARET	PROFESSIONALS/ HEALTH				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		VACANT		SPORTS				
		MHLONGO	THEMBA	TRANSPORT				
		NDWANDWE	SIMANGELE	PHYSICALLY CHALLENGED				
		DLAMINI	BABAZILE SIPHO	SAFETY & SECURIT				
11	CLLR IA STOKFEER	DLAMINI	MBHEKENI SAMUEL	EDUCATION	Yes	12	4	4
		KHUMALO	MNDENI ROSEMAN	TRANSPORT				
		MABASO	NHLANHLA	YOUTH				
		MTHETHWA	BONGINKOSI VINCENT	HEALTH& SOCIAL DEV				
		NKOSI	LIHLE HAZEL	PHYSICALLY CHALLENGED				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		SIBIYA	THABANI SIPHO	BUSINESS				
		DLAMINI	SHOGI MSHIGO	TRADITIONAL				
		SIBIYA	CELUXOLO EUNICE	WOMEN				
		DLAMINI	SCELO LEON	SAFETY & SECURITY				
		MADUNA	ISAAIC	SPORTS				
12	CLLR NDLANGAMANDLA	MPANZA	MHLAKAZENI ELLIOT	SAFETY & SECURITY	Yes	12	4	15
		MNTUNGWA	MHLOMISENI ROBERT	TRADITIONAL				
		RADEBE	PETROS	AGRICULTURE/ TRANSPORT				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		ZWANE	MZAMO RICHMAN	YOUTH				
		MHLONGO	MANDLENKOSI RICHMAN	EDUCATION				
		NKOSI	NUNUIVE GOODNESS	PHYSICALLY CHALLENGED				
		MAVUSO	NOMATHEMBA MAUREEN	BUSINESS/NGO/ ORGANISED				
		NTSHANGASE	THEMBI SANDRA	WOMEN				
		NTSHANGASE	LINDELANI THUBELIHLE	HEALTH&WELFARE				
		HADEBE	NTOKOZO	SPORTS				
13	CLLR D NYAWO	DLAMINI	ISABEL BUSANGANI	YOUTH/EDUCATION	Yes	12	4	8

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		MKHULISI	DUDUZILE GLADYS	AGRICULTURE/ ENVIRONMENT				
		MAHLOBO	VUKILE SYLVIA	SAFETY/SECURITY /TRANSPORT				
		NTSHANGASE	MHLABEHLANGENE NICHOLUS	COMMUNITY BASED				
		KHANYE	NOBUHLE CHRISTINAH	WOMEN .RELIGIOUS				
		NTULI	NOMUSA MAUREEN	HEALTH/ WELFARE				
		NDLANGAMANDLA	KHETHIWE NTOMBIZODWA	SPORTS/ ARTS& CULTURE				
		NGWENYA	MFANAWENKOSI R	TRADITIONAL				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NTSHANGASE	JOSHUANDODENOBUQIL	BUSINESS/ INFORMAL TRADERS				
		DLAMINI	NTOMBI GOODNESS	SENIOR CITISENS/PHYSICALLY CHALLENGED				
14	CLLR NE NXUMALO	DLAMINI	MHLONIPHENI FANANA	SPORTS	Yes	12	4	9
		NDLAZI	MLUNGISI SAMSON	YOUTH				
		MAGAGULA	KHULISILE GLADYS	PHYSICALLY CHALLENGED				
		MATHE	BHEKUYISE SHADRACK	FARMERS				
		GUMBI	NKOSINATHI	TRANSPORT				
		GUMBI	GUGU SYDNEY	TRADITIONAL				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NKOSI	SHOBANE JENENE	SAFETY & SECURITY				
		MATHOBELA	SIMANGELE GOODNESS	WOMEN				
		MABIKA	FLORENCE NCANE	FAITH BASED				
		MTHETHWA	NKOSINGIPHILE	HEALTH & SOCIAL DEV				
15	CLLR JS MYENI	KHUMALO	NOZIPHO MARIA	SAFETY AND SECURITY	Yes	12	4	9
		ZUNGU	DUDUZILE ANNACLETTA	BUSINESS /INFORMAL TRADERS				
		KHUMALO	LUNGISANI INNOCENT	YOUTH				
		NTSHANGASE	MNTOWWAYO CLEMENT	SPORTS, ARTS/ CULTURE				

Ward No	Ward Councillor Name and Elected Ward Committee Members				Committee Established (Yes/No)	No of Monthly Committee Meetings held during the year	No of monthly reports submitted to Speaker's office on time	No of quarterly public ward meetings held in the year
	Ward Councillor	Surname	Name	Sector Rep				
		NKOSI	GCINAPHI MUZIKAWUFUNWA E	TRADITIONAL				
		ZULU	THOBILE PREETYGIRL	AGRICULTURE				
		SIMELANE	THULISILE NTOMBIZODWA	PHYSICALLY CHALLENGED				
		NKOSI	NQOMPO ANDRIES	TRANSPORT				
		MALINGA	THULANI I	EDUCATION				
		MYENI	NURSE EUNICE	WOMEN				

**APPENDIX G – RECCOMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE**

Municipal Audit Committee Recommendations		
Date of Committee	Audit Committee recommendations during Year 2018/2019	Recommendations adopted (enter Yes) If not adopted (provide explanation)
24-Aug-18	The minutes of the previous meeting to be confirmed by the signature of the Chairperson of the Audit Committee for approval.	Yes
	Non completeness of actuals in the annual performance report should be attended to by the Risk and Performance manager to enable proper monitoring and evaluation.	Yes
09-Apr-19	The newly appointed Audit Manager to assess the current status of internal audit unit, to provide feedback to the audit committee, get the unit on track and schedule Audit committee meetings as prescribed by the regulation	Yes
26-Jun-19	The Municipal Manager should ensure that all the HOD's are proactive in terms of managing performance and making sure that the POE's are submitted on time.	yes
	Director Community Services to ensure that he prioritizes performance and ensuring that the evidence is provided and also the Municipal Manager to assist them as the Accounting Officer to ensure that there is notable improvement.	partially adopted
	Director Technical Services should meet with PMS and Risk Manager with regards to the performance issues to be resolved to ensure improvement of performance in the next quarters.	yes
	The Audit Committee Chairperson recommended that the appointment of an IT Specialist should be made a standing item and presented in the next meeting.	partially adopted
	The Audit Committee Chairperson suggested that the MSCOA issue should be made a standing item on the next meeting so that they can get feedback on implementation status.	yes
	Audit Committee Charter to be taken to EXCO for approval by the Chief Internal Auditor.	yes
	Internal Audit Charter to be approved by the Audit Committee Chairperson.	yes
	The Chief Internal Auditor to consider the recommendations made by the Audit Committee to audit waste management processes and amend the plan accordingly.	yes
	The Chief Internal Auditor to make all the pending cases a standing item to be discussed in the next meeting	yes
		yes



# uPHONGOLO

## MUNISIPALITEIT / MUNICIPALITY

Rig Korrespondensie aan:  
DIE AGBARE BURGEMEESTER

Address Correspondence to:  
THE HONOURABLE MAYOR

MUNISIPALE KANTOOR  
MUNICIPAL OFFICE

Martinstraat/Street 61

Posbus/P.O. Box 191  
Pongola 3170

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Your Ref.

UVerw: \_\_\_\_\_

Our Ref

Ons Verw: \_\_\_\_\_

### Report of the Audit Committee 2018/2019

{ XE "Report of the Audit Committee" }

We are pleased to present our report on the review of financial statements for the year ended 30 June 2019.

#### Audit Committee Members and Attendance:

The audit committee is functional and currently consists of four (3) members listed hereunder and meets at least four (4) times per annum. For the year ended 30 June 2019 the current audit committee met six (4) times during the year.

#### Current Audit Committee members

The Audit Committee membership and meetings related to 2018/19 financial year matters are listed below:

Member Name	Q1 Meeting Date	Q2 Meeting Date	Q3 Meeting Date	Q4 Meeting Date
a) Ordinary meeting			09 April 2019 26 June 2019	30 August 2019
Mrs CD Nxumalo	No meeting	No meeting	✓ ✓	✓
Mr M Ngubane	No meeting	No meeting	✓ ✓	✓
Mrs M Mkhwanazi	No meeting	No meeting	✗ ✓	✗

✓ : Member attended the Audit Committee meeting.

X : Member tendered apologies

#### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166 of the MFMA

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The effectiveness of Internal Control.

Based on the reports presented to the Audit Committee by Internal Audit unit during the audit committee meetings, the audit committee noted significant progress towards improving the internal controls measures in the municipality. The committee also noted that management has implemented controls in most areas within critical departments such Supply Chain to provide reasonable assurance that all major inherent risks are

appropriately identified and aligned to legislation as required. UPhongolo Local Municipality had senior positions vacant during the year which have been filled, hence justifying the significant improvement relating to performance and internal controls. Some of the critical positions which could have impacted on these important factors namely, Corporate Services, Technical and Community Services were filled during the 2018/2019 financial year. The committee also notes that consequence management to mitigate cases of misconduct.

#### **The Audit Committee experienced several challenges during the year**

- The appointment of the Audit Committee was delayed which impacted on reporting for quarter 3 and 4. This may have a negative finding from the Auditor General.
- The performance reports are continuously not submitted to the PMS office on time which creates unnecessary delays and repeated modifying in reporting.
- Performance information was submitted without being substantiated with POE's.
- The Internal Audit department during this financial year was not fully operational due to the resignation of the Chief Internal Auditor which resulted in the department not having the capacity to function, hence resulting in delays with reporting.
- The Internal Audit department is not able perform an IT audit due to the fact that the municipality does not have a dedicated internal resource to fulfil the IT function.
- Non achievements of set performance targets

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA

The audit committee has requested the management to submit the monthly and/ or quarterly reports to the committee which are prepared in terms of MFMA. The reports were submitted in the financial year 2018/2019.

#### **Evaluation of Financial Statements**

The Annual Financial Statements were reviewed by the Audit Committee and noted for submission to the AG on or before the 31st August 2019.

#### **Internal Audit**

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to its results. The audit committee also recommended that a Performance Internal Auditor and a IT Internal Auditor be appointed by the municipality, to fill gaps identified relating to shortage of staff within the Internal Audit unit.

#### **Auditor General South Africa**

The Audit Committee intends to meet with the Auditor General of South Africa to ensure that there are no unresolved issues.

#### **Conclusion**

The audit committee would like to thank the council of UPHONGOLO Local Municipality for its continued good governance as well as the Municipal Manager, the Chief Financial Officer, the Internal Audit unit, the representatives from Department of local Government, office of the Auditor-general and all other stakeholders.



Chairperson of the Audit Committee

Date: 30-8-2019{ XE "Report of the Audit Committee" }

#### **APENDIX H - LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS**

The municipality does not have long-term contracts and public private partnerships.

## APPENDIX J – DISCLOSURE OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2018 to 30 June of Year 2019 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Mayor	Cllr B C Nhlabathi	Nil
Member of Exco	Cllr B Mvelase	12,5% interest in Kuhlesiminye Co-op, property and land at B18 and A213
	Cllr I A Stokfeer	interest in Sibalikhulu Construction Enterprise cc
	Cllr E N Buthelezi	None
	Cllr K E Nxumalo	DOE work as an Educator, House at Ncotshane value at R 250000
Councillor		
	Cllr B C Gumbi	100% interest in Tshangase General Supply cc with R9000 income, DOE work on school feeding with R9000 income
	Cllr T A Ntshangase	DOE work as Educator with R 21000 income
	Cllr V G Masuku	100% interest in Kwabukani trading cc, 20% interest in Zinojunobisi farming Co-op
	Cllr N J Mkhwanazi	Interest in Ndle and Nqaba cc, House worth R 160k in Ncotshane B section
	Cllr G H Mpanza	None
	Cllr J S Myeni	None
	Cllr S V Ndlangamandla	33,6% interest in Langalibalele Construction Pty Ltd
	Cllr C B Ndlangamandla	None
	Cllr N Mtungwa	None
	Cllr F F Simelani	None
	Cllr A Z Thabede	House at Ncotshane valued at R5k
	Cllr M P Khumalo	Interest in Olakahle Co-Op and interest in Molea Trading Pty Ltd
	Cllr D N Nyawo	None
	Cllr N P Mavuso	None
	Cllr J W Buthelezi	None
	Cllr P S Ntshangase	None
	Cllr S R Ntshangase	50% interest in Gobbies Investment cc, Dept of Agric income as Traidman aid of R 8300
	Cllr D M Nkanjabanga	None
	Cllr J C Theron	100% in Mnzaan Game valued at R600000, Interest in Kawivest 3029 cc and Kwalitron cc, income from Mnzaan Games of R15000-R30000
	Cllr B R Shongwe	Taxi owner with income of R 15000, House at Godlwayo valued at R5k
	Cllr V M Sikhosana	House at Waterbus
	Cllr NT Mavimbela	Nil
	Cllr N E Nxumalo	Nil

Disclosures of Financial Interests		
Period 1 July 2018 to 30 June of Year 2019 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Municipal Manager	Mr WM Nxumalo	20 Ordinary Shares at Media 24
Chief Financial Officer	Mr JV Nkosi	Shares valued at R10 000 at Rachson BME, Directorship at Sibusiso Printing & Cebisa Stationary
Directors	Mr BG Mhlogo	None
	Mrs NR Msimango	None

**APPENDIX K (I): REVENUE COLLECTION BY VOTE**

Revenue Performance by Vote						
						R'
Vote Description	Year 2017/2018	Current: Year 2018/2019			Year 2018/2019 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Executive & Council	16 185 954	18 672 494	16 918 537	18 614 781	0%	9%
Municipal Manager	3 843 553	4 434 012	9 722 920	5 720 751	22%	-70%
Budget and Treasury	78 170 055	69 712 818	59 531 457	79 994 316	13%	26%
Property Services	5 401 869	5 834 381	7 677 749	6 615 564	0%	0%
Corporate Services	9 203 011	10 616 807	17 607 543	12 582 242	16%	-40%
Community & Social Services	7 199 991	17 058 331	16 409 396	16 527 409	-3%	1%
Housing	-	633 099	5 902 279	279 658	0%	0%
Sport & Recreation	5 003 330	4 287 178	5 780 582	4 703 843	9%	-23%
Public Safety	9 317 955	9 517 253	18 355 410	13 250 130	28%	-39%
Planning & Development	58 885 576	43 926 519	44 303 430	36 111 311	-22%	-23%
Road Transport	9 467 072	10 921 435	8 748 164	11 200 600	2%	22%
Electricity	46 679 302	46 122 686	46 069 595	39 627 950	-16%	-16%
Waste Management	14 624 126	14 111 848	14 165 008	16 031 543	12%	12%
Other	5 511 027	6 346 758	4 967 645	5 742 761	-11%	13%
Total Revenue by Vote	269 492 821	262 195 621	276 159 715	267 003	0	(0)

**APPENDIX K (II) – REVENUE COLLECTION PERFORMANCE BY SOURCE**

Revenue Collection Performance by Source						
R '000						
Description	Year 2017/2018	Year 2018/2019			Year 2018/2019 Variance	
	Actual	Original Budget	Adjustment s Budget	Actual	Original Budget	Adjustment s Budget
Property rates	35 295	36 826	36 826	37 551	2%	2%
Service Charges - electricity revenue	37 473	37 385	37 385	39 326	5%	5%
Service Charges - refuse revenue	10 085	10 523	10 523	10 622	1%	1%
Rentals of facilities and equipment	748	455	458	595	24%	23%
Interest earned - external investments	1 357	1 549	1 337	1 520	-2%	12%
Interest earned - outstanding debtors	8 766	8 096	10 860	10 906	26%	0%
Fines	1 391	491	1 482	1 984	75%	25%
Licences and permits	1 370	1 566	1 354	1 476	-6%	8%
Agency services	788	790	790	904	13%	13%
Transfers recognised - operational	116 227	128 283	133 283	130 756	2%	-2%
Other revenue	1 829	1 327	1 686	1 106	-20%	-52%
Gains on disposal of PPE	6 880	–	–	11 331	-	-
Actuarial Gain/ Loss	–	–	–	1 039	-	-
Total Revenue (excluding capital transfers and contributions)	222 208	227 291	235 984	249 118	8,76%	5,27%

## VOLUME 2 – ANNUAL FINANCIAL STATEMENT



**uPHONGOLO Local Municipality  
Annual Financial Statements**

**for the year ended 30 June 2019**

# uPHONGOLO Local Municipality

## General Information

Nature of business and principal activities	Local Municipality
<b>Members of Council</b>	
Executive committee	Cllr BC Nhlabathi - Honourable Mayor Cllr B Mvelase - Honourable Deputy Mayor Cllr VG Masuku - Honourable Speaker Cllr KE Nxumalo Cllr EN Buthelezi
Councillors	Cllr IA Stokfeer Cllr PS Ntshangase Cllr FF Simelane Cllr N Mntungwa - MPAC Chair Cllr NJ Mkhwanazi Cllr NT Mavimbela Cllr CB Ndlangamandla Cllr BC Gumbi Cllr SV Ndlangamandla Cllr NE Nxumalo Cllr D Nyawo Cllr JS Myeni Cllr DM Nkanjabanga Cllr SR Ntshangase Cllr JC Theron Cllr BR Shongwe Cllr VM Sikhosana Cllr MS Masuku Cllr GH Mpanza Cllr JW Buthelezi Cllr AZ Thabethe Cllr NP Mavuso Cllr TA Ntshangase Cllr PS Sibeko
Grading of local authority	Grade 2
	Low capacity
Accounting Officer	Mr WM Nxumalo
Chief Finance Officer (CFO)	Mr JV Nkosi
Registered office	61 Martin Street Pongola 3170
Postal address	P O Box 191 Pongola 3170
Bankers	First National Bank
Auditors	Auditor General South Africa

## uPHONGOLO Local Municipality

### Index

The reports and statements set out below comprise the annual financial statements presented to the Council:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	(137)
Statement of Financial Position	(138)
Statement of Financial Performance	(139)
Statement of Changes in Net Assets	(140)
Cash Flow Statement	(141)
Statement of Comparison of Budget and Actual Amounts	(142-145)
Accounting Policies	(146-183)
Notes to the Annual Financial Statements	(184-226)

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart Of Accounts

## uPHONGOLO Local Municipality

### Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I **WM Nxumalo** acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to **30 June 2020** and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the uPhongolo Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors.

The annual financial statements set out on pages 4 to 65, which have been prepared on the going concern basis, were approved and signed by the accounting officer on **31 August 2019**.



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**Mr WM Nxumalo Municipal Manager**

## uPHONGOLO Local Municipality

### Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	8	75 159 422	66 399 501
VAT receivable	9	1 621 626	1 563 752
Prepayments	7	7 113	8 413
Receivables from exchange transactions	10	8 821 681	9 678 939
Cash and cash equivalents	11	7 166 586	450 470
		<b>92 776 428</b>	<b>78 101 075</b>
<b>Non-Current Assets</b>			
Investment property	2	101 336 000	90 005 000
Property, plant and equipment	3	374 961 849	364 542 075
Intangible assets	4	453 077	598 781
Heritage assets	5	70 945	70 945
		<b>476 821 871</b>	<b>455 216 801</b>
<b>Total Assets</b>		<b>569 598 299</b>	<b>533 317 876</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	12	2 049 416	298 586
Payables from exchange transactions	17	53 290 394	28 316 418
Consumer deposits	18	2 085 697	2 149 309
Unspent conditional grants and receipts	13	7 057 388	1 010 875
Provisions	14	85 000	118 717
Long term loans	16	4 000 070	3 581 239
		<b>68 567 965</b>	<b>35 475 144</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities		341 542	341 542
Finance lease obligation	12	3 363 976	598 729
Employee benefit obligation	6	2 120 384	3 187 920
Provisions	14	7 002 686	6 569 124
Long-service awards	15	1 294 001	1 127 068
Long term loans	16	2 655 301	4 312 039
		<b>16 777 890</b>	<b>16 136 422</b>
<b>Total Liabilities</b>		<b>85 345 855</b>	<b>51 611 566</b>
<b>Net Assets</b>		<b>484 252 444</b>	<b>481 706 310</b>
<b>Accumulated surplus</b>		<b>484 252 444</b>	<b>480 868 262</b>

## uPHONGOLO Local Municipality

### Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
Revenue from exchange transactions			
Service charges	19	49 948 431	47 558 522
Rental of facilities and equipment	20	595 149	962 871
Interest received - trading	24	10 906 497	8 766 038
Licences and permits	22	1 476 333	1 369 765
Other income	25	2 345 014	2 616 645
Interest received - investment	26	1 520 370	1 357 451
<b>Total revenue from exchange transactions</b>		<b>66 791 794</b>	<b>62 631 292</b>
<b>Revenue from non-exchange transactions</b>			
Taxation revenue			
Property rates	27	37 551 080	28 666 473
Transfer revenue			
Government grants & subsidies	28	148 640 998	148 009 946
Fines, Penalties and Forfeits	21	1 981 400	1 390 770
<b>Total revenue from non-exchange transactions</b>		<b>188 173 478</b>	<b>178 067 189</b>
<b>Total revenue</b>		<b>254 965 272</b>	<b>240 698 481</b>
<b>Expenditure</b>			
Employee related costs	29	(83 197 340)	(74 468 744)
Remuneration of councillors	30	(9 716 739)	(9 371 468)
Depreciation and amortisation	31	(13 597 843)	(13 733 808)
Finance costs	32	(2 214 936)	(1 750 955)
Impairment loss	23	(611 363)	(5 968 330)
Debt Impairment	33	(19 114 494)	(11 723 859)
Bulk purchases	34	(27 756 027)	(25 375 565)
Contracted services	35	(23 432 543)	(30 093 204)
Transfers and subsidies		(316 376)	(102 384)
General Expenses	36	(83 660 515)	(45 006 405)
<b>Total expenditure</b>		<b>(263 618 176)</b>	<b>(217 594 722)</b>
<b>Operating (deficit) surplus</b>		<b>(8 652 904)</b>	<b>23 103 759</b>
Loss on unverified assets		(332 842)	(1 754 958)
Fair value adjustments	37	11 331 000	6 880 000
Actuarial gains/losses	6&15	1 039 430	(94 026)
		<b>12 037 588</b>	<b>5 031 016</b>
<b>Surplus for the year</b>		<b>3 384 684</b>	<b>28 134 775</b>

## uPHONGOLO Local Municipality

### *Statement of Changes in Net Assets*

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	452 733 487	452 733 487
Changes in net assets Surplus for the year	28 134 775	28 134 775
Total changes	28 134 775	28 134 775
Adjustments		
Correction of errors Note 44	17 466 455	17 466 455
Restated* Balance at 01 July 2018	480 867 760	480 867 760
Changes in net assets Surplus for the year	3 384 684	3 384 684
Total changes	3 384 684	3 384 684
Balance at 30 June 2019	484 252 444	484 252 444

## uPHONGOLO Local Municipality

### Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
Receipts			
Sale of goods and services		66 880 250	68 645 944
Grants		148 640 998	148 009 949
Interest income		1 520 370	1 357 451
		<b>217 041 618</b>	<b>218 013 344</b>
Payments			
Employee costs		(83 336 099)	(74 468 744)
Suppliers		(88 760 328)	(88 321 042)
Finance costs		(2 214 936)	(1 750 955)
Councillors allowances		(9 716 738)	(9 371 468)
		<b>(184 028 101)</b>	<b>(173 912 209)</b>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>33 013 517</b>	<b>44 101 135</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(24 517 244)	(47 625 907)
Purchase of other intangible assets	4	-	(416 336)
<b>Net cash flows from investing activities</b>		<b>(24 517 244)</b>	<b>(48 042 243)</b>
<b>Cash flows from financing activities</b>			
Repayments on Borrowings		(4 536 380)	(2 152 320)
Proceeds on Borrowings		2 756 225	4 940 038
<b>Net cash flows from financing activities</b>		<b>(1 780 155)</b>	<b>2 787 718</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6 716 116</b>	<b>(1 153 390)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>450 470</b>	<b>1 603 860</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>7 166 586</b>	<b>450 470</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### **Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	47 908 657	-	47 908 657	49 948 431	2 039 774	52
Rental of facilities and equipment	454 579	3 399	457 978	595 149	137 171	52
Interest received (trading)	8 096 103	2 763 923	10 860 026	10 906 497	46 471	52
Agency services	789 750	-	789 750	903 644	113 894	
Licences and permits	1 566 485	(212 045)	1 354 440	1 476 333	121 893	52
Other income	1 327 228	358 750	1 685 978	1 441 370	(244 608)	
Interest received - investment	1 548 583	(212 045)	1 336 538	1 520 370	183 832	51
<b>Total revenue from exchange transactions</b>	<b>61 691 385</b>	<b>2 701 982</b>	<b>64 393 367</b>	<b>66 791 794</b>	<b>2 398 427</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	36 825 939	-	36 825 939	37 551 080	725 141	
<b>Transfer revenue</b>						
Government grants & subsidies	128 282 700	5 000 000	133 282 700	148 640 998	15 358 298	
Fines, Penalties and Forfeits	491 297	990 903	1 482 200	1 981 400	499 200	
<b>Total revenue from non-exchange transactions</b>	<b>165 599 936</b>	<b>5 990 903</b>	<b>171 590 839</b>	<b>188 173 478</b>	<b>16 582 639</b>	
<b>Total revenue</b>	<b>227 291 321</b>	<b>8 692 885</b>	<b>235 984 206</b>	<b>254 965 272</b>	<b>18 981 066</b>	
<b>Expenditure</b>						
Personnel	(89 102 986)	9 482 354	(79 620 632)	(83 197 340)	(3 576 708)	
Remuneration of councillors	(9 863 968)	237 617	(9 626 351)	(9 716 739)	(90 388)	
Depreciation and amortisation	(12 741 900)	(2 258 100)	(15 000 000)	(13 259 004)	1 740 996	51
Finance costs	(1 892 289)	-	(1 892 289)	(2 214 936)	(322 647)	
Debt Impairment	(15 707 255)	3 807 255	(11 900 000)	(19 114 494)	(7 214 494)	
Bulk purchases	(28 812 257)	-	(28 812 257)	(27 756 027)	1 056 230	
Contracted Services	(22 766 318)	(3 478 929)	(26 245 247)	(23 432 543)	2 812 704	
Transfers and subsidies	(2 543 659)	-	(2 543 659)	(316 376)	2 227 283	
General Expenses	(66 569 371)	(18 621 512)	(85 190 883)	(84 610 717)	580 166	
<b>Total expenditure</b>	<b>(250 000 003)</b>	<b>(10 831 315)</b>	<b>(260 831 318)</b>	<b>(263 618 176)</b>	<b>(2 786 858)</b>	
<b>Operating deficit</b>	<b>(22 708 682)</b>	<b>(2 138 430)</b>	<b>(24 847 112)</b>	<b>(8 652 904)</b>	<b>16 194 208</b>	
Loss on unverified assets	-	-	-	(332 842)	(332 842)	
Fair value adjustments	-	-	-	11 331 000	11 331 000	
Actuarial gains/losses	-	-	-	1 039 430	1 039 430	
	-	-	-	12 037 588	12 037 588	
<b>Surplus before taxation</b>	<b>(22 708 682)</b>	<b>(2 138 430)</b>	<b>(24 847 112)</b>	<b>3 384 684</b>	<b>28 231 796</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(22 708 682)</b>	<b>(2 138 430)</b>	<b>(24 847 112)</b>	<b>3 384 684</b>	<b>28 231 796</b>	

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from non-exchange transactions	58 331 857	30 291 770	88 623 627	75 159 422	(13 464 205)	
VAT receivable	-	-	-	1 621 626	1 621 626	
Prepayments	-	-	-	7 113	7 113	
Receivables from exchange transactions	10 695 315	-	10 695 315	8 821 681	(1 873 634)	
Cash and cash equivalents	4 724 239	(4 209 339)	514 900	7 166 586	6 651 686	
	73 751 411	26 082 431	99 833 842	92 776 428	(7 057 414)	
<b>Non-Current Assets</b>						
Investment property	92 274 390	-	92 274 390	101 336 000	9 061 610	
Property, plant and equipment	508 784 867	(114 893 993)	393 890 874	374 961 849	(18 929 025)	
Intangible assets	-	500 000	500 000	453 077	(46 923)	
Heritage assets	70 945	-	70 945	70 945	-	
	601 130 202	(114 393 993)	486 736 209	476 821 871	(9 914 338)	
<b>Total Assets</b>	<b>674 881 613</b>	<b>(88 311 562)</b>	<b>586 570 051</b>	<b>569 598 299</b>	<b>(16 971 752)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	2 049 416	2 049 416	
Payables from exchange transactions	5 000 000	10 000 000	15 000 000	53 290 395	38 290 395	
Consumer deposits	2 868 664	-	2 868 664	2 085 697	(782 967)	
Unspent conditional grants and receipts	-	-	-	7 057 388	7 057 388	
Provisions	6 208 694	-	6 208 694	85 000	(6 123 694)	
Long term loans	3 249 948	(210 875)	3 039 073	4 000 070	960 997	
	17 327 306	9 789 125	27 116 431	68 567 966	41 451 535	
<b>Non-Current Liabilities</b>						
Revenue received in advance	-	-	-	341 542	341 542	
Finance lease obligation	5 000 000	5 849 657	10 849 657	3 363 976	(7 485 681)	
Employee benefit obligation	-	-	-	2 120 384	2 120 384	
Provisions	8 193 514	506 746	8 700 260	7 002 686	(1 697 574)	
Long-service awards	-	-	-	1 294 001	1 294 001	
Long term loans	-	-	-	2 655 301	2 655 301	
	13 193 514	6 356 403	19 549 917	16 777 890	(2 772 027)	
<b>Total Liabilities</b>	<b>30 520 820</b>	<b>16 145 528</b>	<b>46 666 348</b>	<b>85 345 856</b>	<b>38 679 508</b>	
<b>Net Assets</b>	<b>644 360 793</b>	<b>(104 457 090)</b>	<b>539 903 703</b>	<b>484 252 443</b>	<b>(55 651 260)</b>	

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	644 360 793	(104 457 090)	539 903 703	484 252 443	(55 651 260)	

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

<b>Budget on Accrual Basis</b>						
	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	73 133 545	4 000 000	77 133 545	66 880 250	(10 253 295)	
Grants	161 979 034	10 269 000	172 248 034	148 640 998	(23 607 036)	
Interest income	9 644 686	-	9 644 686	1 520 370	(8 124 316)	
Other receipts	4 909 957	-	4 909 957	-	(4 909 957)	
	249 667 222	14 269 000	263 936 222	217 041 618	(46 894 604)	
<b>Payments</b>						
Employee costs	(89 102 986)	9 482 354	(79 620 632)	(83 336 099)	(3 715 467)	
Suppliers	(101 277 596)	(22 119 971)	(123 397 567)	(88 760 328)	34 637 239	
Finance costs	(1 892 288)	-	(1 892 288)	(2 214 936)	(322 648)	
Remuneration of councillors	(9 863 968)	237 617	(9 626 351)	(9 716 739)	(90 388)	
Other payments	(2 543 659)	-	(2 543 659)	-	2 543 659	
	(204 680 497)	(12 400 000)	(217 080 497)	(184 028 102)	33 052 395	
<b>Net cash flows from operating activities</b>	<b>44 986 725</b>	<b>1 869 000</b>	<b>46 855 725</b>	<b>33 013 516</b>	<b>(13 842 209)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(43 621 200)	(5 002 100)	(48 623 300)	(24 517 244)	24 106 056	
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	5 000 000	2 000 000	7 000 000	2 756 225	(4 243 775)	
Repayment of borrowings	3 250 000	1 917 993	5 167 993	(4 536 380)	(9 704 373)	
<b>Net cash flows from financing activities</b>	<b>8 250 000</b>	<b>3 917 993</b>	<b>12 167 993</b>	<b>(1 780 155)</b>	<b>(13 948 148)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9 615 525</b>	<b>784 893</b>	<b>10 400 418</b>	<b>6 716 116</b>	<b>(3 684 301)</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 603 862</b>	<b>(1 153 394)</b>	<b>450 468</b>	<b>450 470</b>	<b>2</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>11 219 387</b>	<b>(368 501)</b>	<b>10 850 886</b>	<b>7 166 586</b>	<b>(3 684 299)</b>	

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

## uPHONGOLO Local Municipality

### Annual Financial Statements for the year ended 30 June 2019

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A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below :

The municipality changes an accounting policy only if the change :

(a) Is required by a standard of GRAP or

(b) Results in the financial statements providing reliable and more relevant information about the effects of transactions , other events or conditions on the performance or cash flow .

The following GRAP standards have been approved and effective to the municipality:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions , Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non - Cash generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers )
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash- Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets GRAP 100      Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 106	Transfer of Function Between Entities Not Under common Control

### STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 18	Segment Reporting
GRAP 109	Accounting by Principals and Agents
GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 110	Living and Non-living Resources
IGRAP 17	Interpretation of standard of GRAP on service concession arrangement where Interest in an Asset
IGRAP 18	Interpretation of the standard of GRAP on Recognition and Derecognition of Land
IGRAP 19	Liabilities to pay levies

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below:

These accounting policies are consistent with the previous period.

### **1.1 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.2 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### **1.3 EXPENDITURE**

Expenditure is recognised on an accrual basis .

### **1.4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### **Financial instruments held at amortised cost and at cost**

The municipality assesses its financial instruments for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Impairment testing**

#### **Financial assets:**

As described in the accounting policy disclosure relating to financial instruments, the municipality considers the detailed impairment criteria as set out in GRAP 104: Financial Instruments. Management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### **Useful lives and impairment of Property, Plant and Equipment (PPE) and Intangible assets with indefinite useful lives:**

As described in the accounting policy disclosure relating to PPE and intangible assets with indefinite useful lives, the municipality depreciates/amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the note.

### 1.5 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

Subsequent to initial measurement investment property is measured at

fair value. The fair value of investment property reflects market

conditions at the reporting date.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

## **1.6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

## **1.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings		
• Parkhomes	Straight line	5-10 years
• Residential	Straight line	10-33 years
• Ablutions	Straight line	25-50 years
• Car ports	Straight line	15-30 years
• Community halls	Straight line	25-50 years
• Testing Centre	Straight line	25-50 years
• Libraries	Straight line	25-50 years
• Sport fields	Straight line	25-50 years
• Creches	Straight line	24-50 years
• Store rooms	Straight line	25-30 years

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### 1.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Electricity

• Cables	Straight line	25-45 years
• Panels	Straight line	3-14 years
• Fencing	Straight line	10-25 years
• High mast lights	Straight line	15-25 years
• Overhead lines	Straight line	20-30 years
• Meters	Straight line	20-30 years
• Substation equipment indoor	Straight line	30-40 years
• Substation equipment outdoor	Straight line	20-30 years
• Switchgears	Straight line	20-30 years
• Transformers	Straight line	25-50 years
• Substations	Straight line	20-30 years

#### Roads & stormwater

• Traffic calming	Straight line	10-30 years
• Roads barriers	Straight line	10-30 years
• Kerb & Channels	Straight line	40-50 years
• Roads asphalt basis	Straight line	30-50 years
• Roads asphalt surface	Straight line	10-22 years
• Roads gravel surface	Straight line	3-25 years
• Pedestrian footpaths	Straight line	15-30 years
• Roads streetlighting	Straight line	25-40 years
• Traffic lights	Straight line	15-20 years
• Traffic signs	Straight line	5-15 years
• Culverts	Straight line	25-40 years
• Drains concrete	Straight line	25-50 years
• Roads	Straight line	10-20 years

#### Solid waste disposal

• Bins containers	Straight line	10-15 years
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#### Other machinery and equipment

• <b>Audio visual equipment</b>	<b>Straight line</b>	<b>5-30 years</b>
• <b>Domestic equipment</b>	<b>Straight line</b>	<b>3-30 years</b>
• <b>Electric wire or power distribution</b>	<b>Straight line</b>	<b>3-12 years</b>
• <b>Farm or agricultural equipment</b>	<b>Straight line</b>	<b>5-33 years</b>
• <b>Gardening equipment</b>	<b>Straight line</b>	<b>2-33 years</b>
• <b>Irrigation equipment</b>	<b>Straight line</b>	<b>10-15 years</b>
• <b>Kitchen appliances</b>	<b>Straight line</b>	<b>5-25 years</b>
• <b>Medical and allied equipment</b>	<b>Straight line</b>	<b>5-25 years</b>
• <b>Photographic equipment</b>	<b>Straight line</b>	<b>5-10 years</b>
• <b>Radio equipment</b>	<b>Straight line</b>	<b>5-25 years</b>
• <b>Roads equipment</b>	<b>Straight line</b>	<b>10-30 years</b>
• <b>Security equipment</b>	<b>Straight line</b>	<b>3-30 years</b>
• <b>Survey equipment</b>	<b>Straight line</b>	<b>5-30 years</b>
• <b>Telecommunication equipment</b>	<b>Straight line</b>	<b>3-12 years</b>
• <b>Tens, flags, and accessories</b>	<b>Straight line</b>	<b>5-11 years</b>
• <b>Workshop equipment</b>	<b>Straight line</b>	<b>5-30 years</b>

#### Computer equipment

• <b>Computer hardware</b>	<b>Straight line</b>	<b>4-25 years</b>
• <b>Computer network</b>	<b>Straight line</b>	<b>5-10 years</b>

#### Furniture and equipment

• <b>Airconditioners</b>	<b>Straight line</b>	<b>3-30 years</b>
• <b>Office equipment</b>	<b>Straight line</b>	<b>5-30 years</b>
• <b>Other furnitures</b>	<b>Straight line</b>	<b>5-30 years</b>
• <b>Paintings, sculptures and ornaments</b>	<b>Straight line</b>	<b>5-10 years</b>

#### Transport assets

• <b>Motor vehicles</b>	<b>Straight line</b>	<b>4-30 years</b>
• <b>Trailers and accessories</b>	<b>Straight line</b>	<b>5-30 years</b>
• <b>Trucks</b>	<b>Straight line</b>	<b>5-30 years</b>

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### **1.7 SITE RESTORATION AND DISMANTLING COST**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### **1.8 INTANGIBLE ASSETS**

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

**1.8 INTANGIBLE ASSETS (CONTINUED)**

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
<b>Licenses</b>	<b>Straight line</b>	<b>2- 30 years</b>
<b>Computer software</b>	<b>Straight line</b>	<b>2-30 years</b>

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

**1.9 HERITAGE ASSETS**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **RECOGNITION**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### **INITIAL MEASUREMENT**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### **SUBSEQUENT MEASUREMENT**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.9 HERITAGE ASSETS

#### (CONTINUED) IMPAIRMENT

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

### DERECOGNITION

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

### 1.10 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

### CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### CLASS

Receivables from customers  
Bank and cash  
Short term investment deposits

#### CATEGORY

Financial asset measured at amortised cost  
Financial asset measured at cost  
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### CLASS

Long term loan  
Creditors

#### CATEGORY

Financial liability measured at amortised cost  
Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **INITIAL RECOGNITION**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

### **INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.10 FINANCIAL INSTRUMENTS (CONTINUED)**

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **FAIR VALUE MEASUREMENT CONSIDERATIONS**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **GAINS AND LOSSES**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

**1.10 FINANCIAL INSTRUMENTS**

**CONTINUED)**

**DERECOGNITION**

**Financial assets**

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### **FINANCIAL LIABILITIES**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.10 FINANCIAL INSTRUMENTS**

#### **(CONTINUED)**

#### **PRESENTATION**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### **1.11 TAX**

#### **TAXATION**

The uPhongolo Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

### **1.12 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **FINANCE LEASES - LESSOR**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **FINANCE LEASES - LESSEE**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **1.13 IMPAIRMENT OF NON-CASH-GENERATING ASSETS**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

### 1.13 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (CONTINUED)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset excluding finance costs. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### DESIGNATION

Assets are designated as cash-generating or non-cash-generating based on the municipality's objective of using the assets. Assets can either be used with the objective of generating a commercial return or delivering services.

The assessment of a municipality's objective of using the asset is performed at initial recognition, based on management's expected use of the asset over its useful life. Subsequent to initial recognition and designation, a municipality shall redesignate an asset, if there has been a change in a municipality's expected use of the asset that is expected to result in positive cash flows that are significantly higher than the cost of the asset.

### IDENTIFICATION

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 1.14 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date;  
or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### POST-EMPLOYMENT BENEFITS

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.14 EMPLOYEE BENEFITS (CONTINUED)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### ACTUARIAL ASSUMPTIONS

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **RETIREMENT**

#### **FUNDS:**

The municipality contributes towards retirement benefits of its employees to the following funds: Natal Joint Municipal Pension Fund;  
Government Employees Pension Fund; Municipal Gratuity Fund;  
South African Local Authorities Pension Fund

#### **POST EMPLOYMENT MEDICAL CARE BENEFITS:**

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement of post-medical benefits is based on employees remaining in service up to the retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance to GRAP 25.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.15 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

### 1.16 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Operational commitment represent both goods and services where an order or an appointment letter has been approved and issued to the supplier at the reporting period

### 1.17 REVENUE FROM EXCHANGE TRANSACTIONS

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.17 REVENUE FROM EXCHANGE TRANSACTIONS (CONTINUED)**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **MEASUREMENT**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **SALE OF GOODS**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **RENDERING OF SERVICES**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### **INTEREST**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.18 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.18 REVENUE FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)**

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### **RECOGNITION**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **MEASUREMENT**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.18 REVENUE FROM NON-EXCHANGE**

#### **TRANSACTIONS (CONTINUED) PROPERTY RATES**

The municipality recognises property rates in terms of the Municipal Property Rates Act and the municipal rates policy.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. The taxable event for property tax is the passing of the date on which the tax is levied.

#### **TRANSFERS**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **GOVERNMENT GRANTS**

Grants and donations received, or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of the related conditions. Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, the liability is transferred to revenue as and when the conditions attached to the grant are met.

Unconditional grants are recognised as revenue in full when the asset is recognised, at an amount equal to the fair value of the asset received.

#### **FINES**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### **1.19 INVESTMENT INCOME**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.20 BORROWING COSTS**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **1.21 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.22 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

### **1.22 FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)**

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.24 BUDGET INFORMATION**

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.25 RELATED PARTIES**

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties that are not at arm's length or not in the ordinary course of business are disclosed.

### **1.26 EVENTS AFTER REPORTING DATE**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);  
and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.27 VALUE ADDED TAX (VAT)**

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2019

2018

#### 2. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	101 336 000	-	101 336 000	90 005 000	-	90 005 000

#### RECONCILIATION OF INVESTMENT PROPERTY - 2019

	Opening balance	Fair value adjustments	Total
Investment property	90 005 000	11 331 000	101 336 000

#### RECONCILIATION OF INVESTMENT PROPERTY - 2018

	Opening balance	Prior year adjustment	Fair value adjustments	Total
Investment property	79 630 000	3 495 000	6 880 000	90 005 000

#### PLEDGED AS SECURITY

No investment properties were pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### DETAILS OF VALUATION

The effective date of the revaluations was Sunday, 30 June 2019. Revaluations were performed by an independent valuer, Mr R M Fitchet [FIVSA MRICS] and WF Hamilton, of BPG Mass Appraisals (pty) Ltd. BPG Mass Appraisals (pty) LTD are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

### 3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	64 602 265	-	64 602 265	64 602 265	-	64 602 265
Buildings	65 405 937	(17 986 799)	47 419 138	56 035 017	(17 186 343)	38 848 674
Landfill site	5 505 095	-	5 505 095	5 505 095	-	5 505 095
Infrastructure	183 342 543	(51 410 807)	131 931 736	171 457 200	(42 104 350)	129 352 850
Other property, plant and equipment	38 227 252	(18 288 060)	19 939 192	30 646 631	(15 635 826)	15 010 805
AUC-Roads & Stormwater	11 308 421	-	11 308 421	21 815 166	-	21 815 166
AUC-Buildings	29 105 961	-	29 105 961	24 257 179	-	24 257 179
AUC-Electricity	65 150 041	-	65 150 041	65 150 041	-	65 150 041
<b>Total</b>	<b>462 647 515</b>	<b>(87 685 666)</b>	<b>374 961 849</b>	<b>439 468 594</b>	<b>(74 926 519)</b>	<b>364 542 075</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	64 602 265	-	-	-	-	-	64 602 265
Buildings	38 848 674	-	-	10 608 483	(1 988 907)	(49 112)	47 419 138
Landfill site	5 505 095	-	-	-	-	-	5 505 095
Infrastructure	129 352 850	-	(34 240)	11 408 029	(8 769 315)	(25 588)	131 931 736
Other property, plant and equipment	15 010 805	8 158 695	-	-	(2 735 907)	(494 401)	19 939 192
AUC- Roads& storm water	21 815 166	901 284	-	(11 408 029)	-	-	11 308 421
AUC- Buildings	24 257 179	15 457 265	-	(10 608 483)	-	-	29 105 961
AUC- Electricity	65 150 041	-	-	-	-	-	65 150 041
	364 542 075	24 517 244	(34 240)	-	(13 494 129)	(569 101)	374 961 849

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Unverified	Transfers received	Prior period error	Depreciation	Impairment loss	Total
Land	64 602 265	-	-	-	-	-	-	64 602 265
Buildings	23 738 771	-	-	25 800 540	(5 017 537)	(1 762 431)	(3 910 669)	38 848 674
Landfill site	5 505 095	-	-	-	-	-	-	5 505 095
Infrastructure	100 581 103	-	(96 589)	39 136 856	-	(8 357 039)	(1 911 481)	129 352 850
Other property, plant and equipment	13 291 645	5 918 148	(1 658 368)	-	1 140 323	(3 534 768)	(146 175)	15 010 805
AUC-Buildings	30 134 427	19 485 423	-	(25 362 671)	-	-	-	24 257 179
AUC-Electricity	65 150 041	7 904 648	-	-	(7 904 648)	-	-	65 150 041
AUC-Roads & Stormwater	44 848 733	16 148 964	-	(39 182 531)	-	-	-	21 815 166
	347 852 080	49 457 183	(1 754 957)	392 194	(11 781 862)	(13 654 238)	(5 968 325)	364 542 075

Pledged as security

Carrying value of assets pledged as security:

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June  
2019

Figures in Rand	2019	2018
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### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Reconciliation of Work-in-Progress 2019

	Included within Roads	Included within Buildings	Included within Electricity	Total
Opening balance	21 815 166	24 257 179	65 150 041	111 222 386
Additions/capital expenditure	901 284	15 457 265	-	16 358 549
Transferred to completed items	(11 408 029)	(10 608 483)	-	(22 016 512)
	<b>11 308 421</b>	<b>29 105 961</b>	<b>65 150 041</b>	<b>105 564 423</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Roads	Included within Buildings	Included within Electricity	Total
Opening balance	44 848 733	30 134 427	65 150 041	140 133 201
Additions/capital expenditure	16 148 964	19 485 423	7 904 648	43 539 035
Transferred to completed items	(39 182 531)	(25 362 671)	-	(64 545 202)
correction of prior year error classification	-	-	(7 904 648)	(7 904 648)
	<b>21 815 166</b>	<b>24 257 179</b>	<b>65 150 041</b>	<b>111 222 386</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment  
included in Statement of Financial Performance

Buildings	1 035 110	537 832
Other	851 851	1 474 680
Infrastructure	7 632 583	2 186 555
	<b>9 519 544</b>	<b>4 199 067</b>

#### Projects that have taken significant time to complete from 2010/11 to 2015/16

Building	5 811 026	5 857 558
Electricity	46 991 329	46 991 329
Roads	9 612 045	9 612 045
	<b>62 414 400</b>	<b>62 460 932</b>

#### Projects that have taken significant time to complete from 2016/17 to 2017/18

Building	10 161 306	6 647 818
Electricity	18 037 369	18 037 369
Roads	13 389 887	12 394 074
	<b>41 588 562</b>	<b>37 079 261</b>

These projects took longer to complete because of financial constraints in the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June  
2019

Figures in Rand

### 4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 041 704	(588 627)	453 077	1 041 704	(442 923)	598 781

### RECONCILIATION OF INTANGIBLE ASSETS - 2019

	Opening balance	Amortisation	Impairment loss	Total
Computer software	598 780	(103 444)	(42 261)	453 075

### RECONCILIATION OF INTANGIBLE ASSETS - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	262 013	416 336	(79 569)	598 780

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

#### 5. HERITAGE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and Artifacts	70 945	-	70 945	70 945	-	70 945

#### RECONCILIATION OF HERITAGE ASSETS 2019

	Opening balance	Total
Paintings and artifacts	70 945	70 945

#### RECONCILIATION OF HERITAGE ASSETS 2018

	Opening balance	Total
Paintings and artifacts	70 945	70 945

Pledged as security

No heritage assets pledged as security:

#### 6. EMPLOYEE BENEFIT

##### OBLIGATION DEFINED

##### BENEFIT PLAN

Medical Benefits:

An actuarial valuation has been performed by One Pangaea Expertise and Solutions to ascertain the municipality's liability in respect of the benefits to eligible employees.

The actuarial valuation is performed every two years.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 6. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(3 187 920)	(3 115 367)
Interest costs	(236 454)	(289 798)
Benefits paid	219 651	237 178
Actuarial gain/(loss)	1 084 339	(19 933)
	<u>(2 120 384)</u>	<u>(3 187 920)</u>

Net expense recognised in the statement of financial performance

Interest cost	(236 454)	(289 798)
Actuarial gains (losses)	1 084 339	(19 933)
	<u>847 885</u>	<u>(309 731)</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,68 %	9,30 %
Salary inflation	7,73 %	8,30 %
% increase in medical inflation	8,47 %	12,00 %
% decrease in medical inflation	7,47 %	(10,10)%
% increase in discount rate	6,84 %	12,40 %
% decrease in discount rate	7,84 %	(10,30)%
Mortality less 2 years	8,84 %	9,40 %

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 6. EMPLOYEE BENEFIT OBLIGATION

#### (CONTINUED) OTHER ASSUMPTIONS

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. As a result of the restrictions, some of the entities defined benefit plans have not been treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. This is in line with the GRAP 25 exemption which states that where information required for proper defined benefit plan accounting is not available in respect of multi employer and state plans, these should be accounted for as defined contributions plan.

#### Pension benefits

The Municipality's personnel are members of one of the pension funds listed below:

-  
Kwa-Zulu Natal Joint Municipal Pension Fund,  
-Municipal Gratuity Fund,  
-Municipal Employees Pension Fund,  
-Government Employees Pension Fun

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained, the funds are all treated as defined contribution plans. an independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2019 actuarial valuations have not been released.

Superannuation Fund: The interim valuation carried out on the Superannuation Fund as at March 2016 reflected the following:

-The memorandum account in respect of the pensioners was fully funded  
-The ability in respect of active members was 100% funded

Retirement and Provident Fund: The latest statutory valuation on the Retirement/Provident Fund (defined contribution) as at 31 March 2017 revealed the following: -The memorandum account in respect of the pensioners was fully funded

-The ability in respect of active members was 100% funded

#### Principal actuarial assumptions:

#### Sensitivities

1% increase in discount rate

- Defined benefit obligation

739 244

842 180

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019-11.72% -12.2%

1% decrease in discount rate		
- Defined benefit obligation	1 260 351	1 099 656
- Percentage	14.02%	14.6%

# uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## 6. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

1% decrease in  
salary inflation  
- Defined benefit  
obligation

1 260 351 844 068

- Percentage

-11.52% -12.0%

1% increase in  
salary inflation  
- Defined benefit  
obligation

1 421 659 1 094 615

- Percentage

13.52% 14.1%

	2019 R	2018 R	2017 R	2016 R	2015 R	
Present value of funded obligations	2 120 384	3 187 919	3 115 366	3 025 320		-
Total	2 120 384	3 187 919	3 115 366	3 025 320		-

## 7. PREPAYMENTS

Prepayments	7 113	8 413
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## 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Traffic fines	5 760 776	3 832 626
Property rates	79 281 641	67 188 186
Impairment	(9 882 995)	(4 621 311)
	75 159 422	66 399 501

### Property rates: Ageing

Current(0-30 days)	3 189 722	3 104 748
31-60 days	2 010 777	2 162 496
61-90 days	1 494 499	1 678 602
91-120 days	1 405 358	1 728 937
121-365 days	9 044 657	7 690 761
+365 days	62 136 628	50 822 642
	79 281 641	67 188 186

### Traffic Fines: Ageing

Current(0-30 days)	207 800	115 950
31-60 days	299 950	70 400
61-90 days	232 000	82 400
91-120 days	161 050	143 800
121-365 days	1 080 600	134 800
+365 days	3 779 376	3 285 276
	5 760 776	3 832 626

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4 621 311)	(3 498 555)
Traffic fines	(5 261 683)	(361 372)
Property rates	-	(761 384)
	<u>(9 882 994)</u>	<u>(4 621 311)</u>

### 9. VAT receivable

VAT refundable	1 621 626	1 563 752
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The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate of 15% (14% - 2018) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 10. Receivables from exchange transactions

Gross balances		
Electricity	8 198 631	7 776 343
Refuse	93 423 487	81 316 319
Other	2 835 895	2 369 799
	<u>104 458 013</u>	<u>91 462 461</u>

Less: Allowance for impairment

Electricity	(2 233 126)	(1 567 482)
Refuse	(91 182 098)	(78 268 039)
Other	(2 221 108)	(1 948 001)
	<u>(95 636 332)</u>	<u>(81 783 522)</u>

Net balance

Electricity	5 965 505	6 208 861
Refuse	2 241 389	3 048 280
Other	614 787	421 798
	<u>8 821 681</u>	<u>9 678 939</u>

Electricity

Current (0 -30 days)	4 840 871	5 011 746
31 - 60 days	915 463	702 498
61 - 90 days	189 195	111 386
91 - 120 days	112 363	81 244
121 - 365 days	448 571	388 076
> 365 days	1 692 168	1 481 393
	<u>8 198 631</u>	<u>7 776 343</u>

Refuse

Current (0 -30 days)	1 076 393	992 618
31 - 60 days	920 949	815 764
61 - 90 days	779 328	728 610
91 - 120 days	742 498	717 414
121 - 365 days	6 249 152	5 731 970
> 365 days	83 655 167	72 329 943

**uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

	<b>93 423 487</b>	<b>81 316 319</b>
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## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>10. Receivables from exchange transactions (continued)</b>		
Other (specify)		
Current (0 -30 days)	54 437	6 267
31 - 60 days	27 450	3 335
61 - 90 days	25 963	1 263
91 - 120 days	25 509	1 054
121 - 365 days	320 145	7 892
> 365 days	2 382 391	2 349 988
	<b>2 835 895</b>	<b>2 369 799</b>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(81 783 522)	(74 061 717)
Contributions to allowance	(13 852 811)	(7 721 805)
	<b>(95 636 333)</b>	<b>(81 783 522)</b>
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2 327	1 674
Bank balances	7 097 006	390 243
Short-term deposits	67 253	58 553
	<b>7 166 586</b>	<b>450 470</b>

The municipality holds a facility account relating to the use of fleet services with a value of R 500 000 and a vehicle asset finance (LCF) of R 11 200 000.

### THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS

#### ACCOUNT NUMBER / DESCRIPTION BALANCES

#### BANK STATEMENT BALANCES CASH BOOK

	30 June 2019	30 June 2018	30 June 2019	30 June 2018
FNB - 62027530858 (Primary bank account)	7 097 007	390 244	7 097 007	390 244
FNB - 62375342377	94	-	94	-
FNB - 62377992104	182	-	182	-
FNB - 62389585286	895	-	895	-
FNB - 62389586507	7 689	7 458	7 689	7 458
FNB - 62404561377	87	-	87	-
FNB - 62404287345	1 311	-	1 311	-
FNB - 62658357001	5 025	4 872	5 025	4 872
FNB - 62305239718	158	-	158	-
FNB - 74275780911	47 417	44 871	47 417	44 871
FNB - 62596797559	4	4	4	4
FNB - 62253771896	3 022	-	3 022	-
FNB - 62230436405	22	-	22	-
STD - 068686234003	1 347	1 347	1 347	1 347
Cash on hand	2 327	1 674	2 327	1 674
<b>Total</b>	<b>7 166 587</b>	<b>450 470</b>	<b>7 166 587</b>	<b>450 470</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>12. Finance lease obligation</b>		
Non-current liabilities	3 778 321	783 484
Current liabilities	2 783 898	516 907
	6 562 219	1 300 391
less: future finance charges	(1 148 827)	(403 076)
	5 413 392	897 315
<b>Present value of minimum lease payments due</b>		
- within one year	2 049 416	298 586
- in second to fifth year inclusive	3 363 976	598 729
	5 413 392	897 315

Municipality leased twelve (12) motor vehicles from Minatlo from 01 January 2019 to 31 December 2021. Thirty six (36) monthly lease instalments of R189 000,78 in total is payable monthly for the entire lease period. The interest is charged at (Toyota 12% and Isuzu 18%). Municipality have the option to either acquire the motor vehicles at fair value or not at the end of the leasing term.

Municipality leased fourteen (14) photocopying machines from Konica Minolta from 01 June 2018 to 30 June 2021. Thirty six (36) monthly lease instalments of R33 931,42 in total is payable monthly for the entire lease period. The interest is charged at 2%. Ownership of the assets will not pass to the municipality at the end of lease.

Municipality leased one (1) franking machine from Nashua from 01 August 2015 to 31 July 2019. The fourthy eight (48) monthly lease instalments of R2 300 or more (subject to escalations) is payable monthly for the entire lease period. The interest is charged at 9.5%. Ownership of the assets will not pass to the municipality at the end of lease.

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal infrastructure grant	5 953 502	-
Pound Grant	1 000 000	1 000 000
Sub-Rank Facility Grant	3 417	3 417
Small Town Improvement Grant	7 458	7 458
Single land use scheme	3 500	-
Tittle deeds Ncotshane	89 511	-
	7 057 388	1 010 875

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>14. Provisions</b>		
<b>Reconciliation of provisions - 2019</b>		
	<b>Opening Balance</b>	<b>Additions</b>
		<b>Utilised during the year</b>
		<b>Total</b>
Non current:Environmental rehabilitation	6 569 124	433 562
Current: Bonuses	118 717	85 000
	<b>6 687 841</b>	<b>518 562</b>
		<b>(118 717)</b>
		<b>7 002 686</b>
<b>Reconciliation of provisions - 2018</b>		
	<b>Opening Balance</b>	<b>Change in discount factor</b>
		<b>Utilised during year</b>
		<b>Total</b>
Non current:Environmental rehabilitation	6 232 296	336 828
Current: Bonuses	344 043	-
	<b>6 576 339</b>	<b>336 828</b>
		<b>(225 326)</b>
		<b>6 569 124</b>
Non-current liabilities		7 002 686
Current liabilities		85 000
		<b>7 087 686</b>
<b>Current provisions</b>		
<b>Bonus</b>		<b>85 000</b>
		<b>118 717</b>

**Bonus provision:** The provision is to provide for performance bonuses of the section 54 & 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after year end.

### NON-CURRENT PROVISIONS

Rehabilitation of landfill site	7 002 686	6 569 124
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**Landfill site:** The rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the time of closure. The value of the provision is based on the present value of the expected future costs to rehabilitate the site.

Rehabilitation costs were calculated based on the following assumptions:

Assumptions	Percentage-2019	Percentage-2018
Annual inflation	6,60 %	6,60 %
Discount rate	6,60 %	6,60 %
	- %	- %

The landfill site is 5 hectares and the area expected to be rehabilitated is 3 hectares. The estimated closure date is 2035/36.

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 17 years. The landfill site rehabilitation provision is created for the rehabilitation of the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the site discounted back to the reporting date at the cost of capital, which is 6.6%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful life and makes assumptions as to the useful life of the assets, which influence the provision for future costs

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 15. LONG-SERVICE AWARDS

Employees who achieve 20 years service have a choice of 20 days paid leave (once off) or encashment of leave. Employees who achieve 30 years service have a choice of 30 days paid leave (once off) or encashment of leave. Employees who achieve 35 years service have a choice of 50 days paid leave (once off) or encashment of leave.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions of Service. The leave may be taken, converted to cash fully or partially or accumulated. The leave is only applicable to those employees who have achieved the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate as at 30 June 2019. It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not been discounted based on the fact that the interest cost is insignificant and the fair presentation of the provision is not materially affected.

The valuation of the liability was performed in line with GRAP 25: Employee benefits by One Pangaea Expertise and Solutions as at 30 June 2019 and included projections for 2020.

The actuarial valuation is performed every two years

Changes in the present value of the long-service obligation are as follows:

Opening balance	(1 127 068)	(959 449)
Service cost	(131 568)	(116 961)
Interest cost	(115 509)	(87 063)
Actuarial gains and (losses)	(44 910)	(113 960)
Benefits paid	125 054	150 365
	<b>(1 294 001)</b>	<b>(1 127 068)</b>

Net expense recognised in the statement of financial performance

Service cost	(131 568)	(116 961)
Interest cost	(115 509)	(87 063)
Actuarial gain/(loss)	(44 910)	(113 960)
	<b>(291 987)</b>	<b>(317 984)</b>

Principal actuarial assumptions used

Discount rate	10	9
Principal actuarial assumptions used:	Percentage- 2019	Percentage- 2018
Discount rate	10,35 %	9,30 %
Salary inflation rate	7,73 %	8,30 %
% decrease in discount rate	(12,20)%	(12,20)%
% increase in discount rate	14,60 %	14,60 %
% decrease in salary inflation	(12,00)%	(12,00)%
% increase in salary inflation	14,10 %	14,10 %
	- %	- %

### 16. Long term loans

Non - Current liabilities	2 655 425	4 312 039
Current liabilities	4 000 070	3 581 239

**uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

<b>6 655 495</b>	<b>7 893 278</b>
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## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 16. LONG TERM LOANS (CONTINUED)

Standard Bank:

The municipality has a loan with Standard Bank for the purchase of property, plant and equipment. The loan bears interest at an average effective borrowing rate of 9.75% per annum. The loan is repayable on a monthly basis with final payment due on 30 April 2019.

Fleet Horizon Solutions:

The municipality has a loan with Fleet Horizon for the purchase of property, plant and equipment. The loan bears interest at an average effective borrowing rate of 15.5% per annum. The loan is repayable on a monthly basis with final payment due on 30 April 2021.

Wesbank:

The municipality has a loans with WesBank for the purchase of property, plant and equipment. The loans bears interest at an average effective borrowing rate of 9.59% per annum. Loans are repayable on a monthly basis with final payment due on 01 October 2021 and 01 September 2021.

Property plant and equipment with a combined carrying value of R 6 843 677,14 and monthly repayments (R320 653.4) have been pledged as security.

### 17. Payables from exchange transactions

Trade payables	38 239 242	15 270 797
Retentions	4 978 088	4 475 144
Staff leave accrual	6 053 393	5 224 868
Accrued bonus	2 299 679	2 136 299
Payroll deductions	378 288	378 288
Deposits-Other	677 033	692 739
Debtors with credit balance	664 671	138 283
	<b>53 290 394</b>	<b>28 316 418</b>

### 18. Consumer deposits

Electricity	2 085 697	2 149 309
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### 19. Service charges

Sale of electricity	39 325 985	37 473 261
Refuse removal	10 622 446	10 085 261
	<b>49 948 431</b>	<b>47 558 522</b>

### 20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	595 149	962 871

### 21. Fines, Penalties and Forfeits

Traffic Fines	1 981 400	1 390 770
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## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>22. Licences and permits (exchange)</b>		
Licences and permits	1 476 333	1 369 765
<b>23. Impairment loss/reversal</b>		
Impairments		
Property plant and equipment	611 363	5 968 330
<b>24. Interest received - trading</b>		
Interest Receivables	10 906 497	8 766 038
<b>25. Other income</b>		
NPA fees	903 644	787 764
Electricity connection and reconnection fees	12 901	8 718
Building plans	18 542	20 115
Burial fees	98 083	99 690
Transport subsidy	-	285 285
Sign boards	71 770	65 396
Tender document fees	360 614	74 815
Certificate clearance and validation	27 528	14 206
Dumping fees	4 621	7 667
Other	847 311	1 252 989
	<b>2 345 014</b>	<b>2 616 645</b>
<b>26. Interest received - investment</b>		
Interest revenue		
Current account	776 246	225 277
External Investments	744 124	1 132 174
	<b>1 520 370</b>	<b>1 357 451</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>27. Property rates</b>		
<b>Rates</b>		
Residential	8 535 169	7 547 920
Commercial	9 581 514	8 858 557
State	8 633 441	9 637 553
Other	10 800 956	2 622 443
	<b>37 551 080</b>	<b>28 666 473</b>
<b>Valuations</b>		
Residential	692 089 000	739 553 000
Commercial	484 250 000	492 670 000
State	799 291 000	507 842 000
Municipal	85 531 000	109 919 000
Other	1 425 304 600	1 663 031 600
	<b>3 486 465 600</b>	<b>3 513 015 600</b>

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2014

Rebates of R60 000 are granted to residential and 30% state property owners. Rates are levied on a monthly basis on property owners.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>28. Government grants and subsidies</b>		
Operating grants		
Equitable share	119 730 000	107 145 949
Expanded Public Works Programme Grant	2 534 000	4 678 000
Financial Management Grant	1 970 000	1 900 000
Provincialisation of Libraries Grant	1 676 000	1 002 000
Community Libraries Services Grant	394 000	376 000
Municipal Infrastructure Grant	1 389 700	4 064 168
Sports Facility Grant	-	167 000
Single Land Use Scheme	496 500	-
	<b>128 190 200</b>	<b>119 333 117</b>
Capital grants		
Municipal Infrastructure Grant	20 450 798	29 676 832
Integrated National Electrification Programme Grant	-	9 001 494
Imbube Cultural Village Grant	-	4 500 000
Prior year adjustment	-	(14 501 497)
	<b>20 450 798</b>	<b>28 676 829</b>
	<b>148 640 998</b>	<b>148 009 946</b>
<b>Equitable Share</b>		
Current receipts	<b>119 730 000</b>	<b>107 145 949</b>
<b>Financial Management Grant</b>		
Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	-
<b>Conditions have been met (see note 13).</b>		
The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met and no funds have been withheld..		
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	27 794 000	33 741 000
Conditions met - transferred to revenue	(21 840 498)	(33 741 000)
	<b>5 953 502</b>	-
<b>Conditions have been met (see note 13).</b>		
This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met.		
<b>Housing Grant</b>		
Current-year receipts	6 158 993	-
Other adjustment	(6 158 993)	-
	-	-
<b>Conditions have been met. (see note 13).</b>		

This grant relates to the implementation of Nkosentsha rural housing project

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>28. Government grants and subsidies (continued)</b>		
<b>Integrated National Electrification Programme Grant</b>		
Balance unspent at beginning of year	-	1 494
Current-year receipts	8 500 000	9 000 000
Other adjustment	(8 500 000)	(9 001 494)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. In the previous years the council approved the funding of this programmed partially from own resources in order to expedite the eradication of electrification backlog. This amount is not recoverable from the Department of Energy, hence the adjustment processed..

### Pound Grant

Balance unspent at beginning of year	1 000 000	1 000 000
Current-year receipts	-	(1)
Other	-	1
	1 000 000	1 000 000

Conditions still to be met - remain liabilities (see note 13).

This grant was provided in order to construct a pound in the uPhongolo Municipal area. COGTA issued a letter requesting the municipality to transfer to R 1 000 000 to Imbube cultural village Grant, in the 2018/19 COGTA issued another letter requesting the R1 000 0000 back.

### Sub-rank Facility Grant

Balance unspent at beginning of year	3 417	3 417
Current-year receipts	-	(1)
Other	-	1
	3 417	3 417

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to construct the sub-rank facility in uPhongolo town. COGTA approved the rollover of unspent funds amounting to R3 417.

### IMBUBE CULTURAL VILLAGE GRANT

Balance unspent at beginning of year	-	(1)
Current-year receipts	-	4 500 000
Transfer from Pound Grant	-	1
Other adjustment	-	(4 500 000)
	-	-

Conditions have been met. (see note 13).

This grant is for the construction of the Imbube Cultural Village to take advantage of the Route 66 as part of investment strategy to boost tourism in uPhongolo. The conditions of the grant were met and no funds were withheld.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### SMALL TOWN IMPROVEMENT GRANT

Balance unspent at beginning of year	7 458	7 458
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## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>28. Government grants and subsidies (continued)</b>		
Current-year receipts	-	(1)
Other	-	1
	<b>7 458</b>	<b>7 458</b>

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant was to install street lights and high masts in uPhongolo Town. Other than the unspent amount, the conditions of the grant were met.

### Sports Facility Grant

Balance unspent at beginning of year	-	167 000
Current-year receipts	-	(1)
Conditions met - transferred to revenue	-	(167 000)
Other	-	1
	-	-

### Provincialisation of Libraries Grant

Balance unspent at beginning of year	-	(1)
Current-year receipts	1 676 000	1 002 000
Conditions met - transferred to revenue	(1 676 000)	(1 002 000)
Other	-	1
	-	-

Conditions have been met. (see note 13).

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of the grant were met and no funds were withheld.

### Community Library Services grant

Balance unspent at beginning of year	-	(1)
Current-year receipts	394 000	376 000
Conditions met - transferred to revenue	(394 000)	(376 000)
Other	-	1
	-	-

Conditions have been met. (see note 13).

This grant is used to pay the salary of the library Cyber Cadet and subsidise operational costs associated with Libraries. The conditions of the grant were met and no funds were withheld.

### Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	(1)
Current-year receipts	2 534 000	4 678 000
Conditions met - transferred to revenue	(2 534 000)	(4 678 000)
Other	-	1
	-	-

Conditions have been met (see note 13).

The Expanded Public Works Programme is a special performance-based incentive provided to municipalities that contribute to the employment creation efforts of the expanded public works

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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programme through the employment of previously unemployed people. The condition of the grant was met and no funds have been withheld.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>28. Government grants and subsidies (continued)</b>		
<b>Single Land Use Scheme</b>		
Balance unspent at beginning of year	-	(1)
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(496 500)	-
Other	-	1
	<b>3 500</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

This grant relate to implementation of Spluma.

### Title Deeds Ncotshane

Balance unspent at beginning of year	-	(1)
Current-year receipts	89 511	-
Other	-	1
Closing balance	<b>89 511</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

This grant is going to be used for transferring tittle deeds to the community of uPhongolo.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>29. Employee related costs</b>		
Salaries and wages	53 859 050	51 422 554
Performance and other bonuses	4 095 659	3 745 616
Medical aid - company contributions	2 652 903	2 392 290
UIF - company contributions	425 849	427 620
Workmens Compensation Assurance	414 195	351 737
Skills Development Levy	698 568	666 289
Standby allowance	1 233 489	505 729
Leave payout	1 372 070	335 632
Remote allowance	142 310	172 650
Group Life Insurance - company contributions	51 065	45 032
Pension and Provident Fund	6 580 831	5 954 883
Car allowances	6 807 650	3 715 625
Overtime payments	3 698 020	2 894 591
Long-service awards	131 568	116 961
Acting allowances	406 452	1 242 564
Cellphone allowance	242 001	197 316
Housing benefits and allowances	358 771	255 989
Industrial Council	26 889	25 666
	<b>83 197 340</b>	<b>74 468 744</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	988 264	779 390
Allowances	345 531	657 063
Contributions to UIF, Medical and Pension Funds	12 465	20 385
	<b>1 346 260</b>	<b>1 456 838</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	811 416	640 392
Allowances	373 257	557 133
Performance Bonuses	-	30 501
Contributions to UIF, Medical and Pension Funds	11 746	125 971
	<b>1 196 419</b>	<b>1 353 997</b>
<b>Remuneration of Technical Services Director</b>		
Annual Remuneration	811 416	361 925
Allowances	373 257	273 890
Contributions to UIF, Medical and Pension Funds	11 674	6 871
	<b>1 196 347</b>	<b>642 686</b>
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	811 416	799 325
Allowances	332 457	382 438
Contributions to UIF, Medical and Pension Funds	10 687	25 836
	<b>1 154 560</b>	<b>1 207 599</b>
<b>Remuneration of Corporate Services Director</b>		
Annual Remuneration	135 236	632 966
Allowances	62 209	184 824
Contributions to UIF, Medical and Pension Funds	1 880	45 660
	<b>199 325</b>	<b>863 450</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>29. Employee related costs (continued)</b>		
<b>30. Remuneration of councillors</b>		
Mayor	511 249	493 181
Deputy Mayor	417 948	403 507
Executive Committee Members	1 183 796	1 143 175
Speaker	417 946	403 516
Councillors	7 185 800	6 928 089
	<b>9 716 739</b>	<b>9 371 468</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are not full-time. The Mayor, Speaker and Deputy Mayor are provided with an office and secretarial support at the cost of the Council.		
The Mayor, Deputy Mayor and speaker each have the use of separate Council owned vehicles for official duties. The Mayor, Deputy Mayor and speaker each have three full-time bodyguards.		
Other two councillors have one full-time bodyguard per councillor.		
The municipality has 29 part time councillors, 1 of the part time councillors is the chairperson of a section 79 committee.		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	13 494 130	13 654 239
Intangible assets	103 713	79 569
	<b>13 597 843</b>	<b>13 733 808</b>
<b>32. Finance costs</b>		
Borrowings	1 162 184	448 570
Suppliers	267 227	588 696
Landfill site interest	433 562	336 828
Actuarial interest cost	351 963	376 861
	<b>2 214 936</b>	<b>1 750 955</b>
<b>33. Debt impairment</b>		
Debt impairment	19 114 494	11 723 859
<b>34. Bulk purchases</b>		
Electricity - Eskom	27 756 027	25 375 565
<b>35. Contracted services</b>		
Security services	23 432 543	30 093 204

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>36. General expenses</b>		
Advertising	1 493 562	1 005 548
Auditors remuneration	1 565 680	1 564 070
Bank charges	279 734	172 219
Cleaning	139 596	99 037
Audit committee fees	49 157	192 069
Consulting and professional fees	3 272 379	2 854 057
Legal expenses	1 321 299	1 037 930
Electricity and refuse	1 035 155	430 972
Expanded Public Works Programme	326 796	2 498 702
Insurance	980 161	1 206 274
Licence fees	200 364	308 864
Fuel and oil	2 052 235	1 605 080
Postage and courier	5 026	61 587
Printing and stationery	627 092	720 785
Public participation	4 362 729	3 532 271
Refreshments	73 355	23 706
Repairs and maintenance	8 913 666	4 254 494
Rental of office equipment	403 454	1 012 721
Security- cash banking	-	74 300
Subscriptions and membership fees	940 108	296 020
Telephone and fax	1 302 870	1 449 877
Transport	22 666	83 197
Training	1 905 907	1 928 393
Travel and subsistence	5 835 907	9 009 455
Uniforms and overalls	1 454 391	486 968
Ward upliftment and LED projects	2 809 067	2 403 833
Water and sanitation	641 011	665 510
Hire of equipment	36 371 760	874 759
Other expenses	5 275 388	5 153 707
	<b>83 660 515</b>	<b>45 006 405</b>
<b>37. Fair value adjustments</b>		
Investment property (Fair value model)	11 331 000	6 880 000
<b>38. Auditors' remuneration</b>		
Fees	1 565 680	1 564 070

# uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>39. Cash generated from operations</b>		
Surplus	3 384 684	28 134 775
Adjustments for:		
Depreciation and amortisation	13 597 843	13 733 808
Gain on sale of assets and liabilities	332 842	1 754 958
Actuarial loss/ gain	(1 039 430)	94 026
Fair value adjustments	(11 331 000)	(6 880 000)
Interest income	(1 520 370)	(1 357 451)
Finance costs	2 214 936	1 750 955
Impairment deficit	611 363	5 968 330
Debt impairment	19 114 494	11 723 859
Movement in long service award	166 933	167 619
Movements in retirement benefit assets and liabilities	(1 067 536)	72 553
Movements in provisions	399 845	111 502
Changes in working capital:		
Receivables from exchange transactions	857 258	1 848 444
Receivables from non-exchange transactions	(8 759 921)	3 226 098
Prepayments	1 300	(40 848)
Payables from exchange transactions	10 125 249	(15 699 627)
VAT	(57 874)	19 137
Unspent conditional grants and receipts	6 046 513	(168 494)
Consumer deposits	(63 612)	(358 509)
	<b>33 013 517</b>	<b>44 101 135</b>
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
Approved and contracted for		
• Property, plant and equipment	83 490 959	79 138 280
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	8 344 164	-
<b>Total capital commitments</b>	<b>83 490 959</b>	<b>79 138 280</b>
Approved and contracted for	8 344 164	-
Not yet contracted for and authorised by accounting officer	91 835 123	79 138 280
<b>Authorised operational expenditure</b>		
Approved and contracted for		
• Operating commitments	33 916 015	9 279 952
<b>Total operational commitments</b>	<b>33 916 015</b>	<b>9 279 952</b>
Approved and contracted for		
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	91 835 123	79 138 280
Authorised operational expenditure	33 916 015	9 279 952
	<b>125 751 138</b>	<b>88 418 232</b>

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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The committed expenditure has been disclosed exclusive of VAT. This committed capital expenditure relates to property, plant and equipment as well as operating expenditure will be financed by government grants.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>41. Contingencies</b>		
<b>Contingent liabilities</b>		
Trust and Trustees		
Enforcement of sale agreement concluded with the municipality	22 654 755	22 654 755
PON141		
Disconnect error	55 369	55 369
PON149		
Tax Bill	58 351	58 351
	<u>22 768 475</u>	<u>22 768 475</u>
<b>Contingent assets</b>		
Elam Investments		
Payment made for accommodation during SALGA games	164 480	164 480

### 42. Related parties

<b>Relationships</b>	
Key Management personnel	
Councillors	Refer to Remuneration of councillors note
Senior managers	Refer to Employee related costs note

There were no related party transactions that were not at arms length during the financial period.

### 43. CHANGE IN ESTIMATE

#### PROPERTY, PLANT AND

#### EQUIPMENT

In the current period management have revised useful life of assets. The effect of this revision has decreased the depreciation charges for the current and future periods by R 3 643 727

### 44. Prior period error

Certain comparative figures have been restated due to errors identified in the current

year. The effects of the restatement are as follows:

Vat receivable	
Audited Balance	- 3 051 871
Correction of error- Reversal of input VAT	- (1 488 119)
	<u>- 1 563 752</u>
Finance lease liability	
Correction of error- Recognition of lease liability	- (897 315)

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Figures in Rand

#### 44. Prior period error (continued)

Receivables from exchange transactions	
Audited Balance	- 92 928 347
Correction of error: Reversal because of system error occurred in the prior years	- (1 681 225)
Correction of error	- 215 338
	<u>- 91 462 460</u>
Allowance for impairment	
Audited Balance	- (83 464 747)
Correction of error: System error occurred in the prior years	- 1 681 225
	<u>- (81 783 522)</u>
Investment Property	
Audited Balance	- 86 510 000
Correction of error: Take on balance	- 3 495 000
	<u>- 90 005 000</u>
Property, plant and equipment	
Audited balance	- 372 987 580
Correction of error	- (8 445 505)
	<u>- 364 542 075</u>
Payables from exchange transactions	
Audited Balance	- 26 437 297
Correction of error	- 1 879 121
	<u>- 28 316 418</u>
Receivables from non exchange transactions	
Audited balance	- 73 027 682
Correction of error system error occurred in the prior years	- (6 628 181)
	<u>- 66 399 501</u>
Unspent conditional grants	
Audited balance	- 10 875
Correction of error: reversal of pound grant from imbube cultural village	- 1 000 000
	<u>- 1 010 875</u>
Rental of facilities and equipment	
Audited balance	- 747 533
Correction of error	- 215 338
	<u>- 962 871</u>
Contracted services	
Audit balance	- 28 230 000
Correction of error	- 1 863 204
	<u>- 30 093 204</u>
General expenses	
Audited balance	- 45 034 764
Correction of error	- (28 359)
	<u>- 45 006 405</u>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Figures in Rand

#### 44. Prior period error (continued)

##### Grants

Audited balance	- 163 511 443
Correction of error	- (15 501 497)
	- 148 009 946

##### Depreciation

Audited balance	- 13 549 195
Correction of error	- 99 532
	- 13 648 727

##### Finance costs

Audited balance	- 1 381 584
Correction of error	- 32 543
	- 1 414 127

##### Employee related costs

Audited balance	- 74 013 395
Correction of error	- 2 755
	- 74 016 150

##### Accumulated surplus

Audited balance	- 498 334 211
Correction of error	- (17 466 455)
Restated balance	- 480 867 756

##### Impairment loss

Audited balance	- 9 850 491
Correction of error	- (3 882 161)
	- 5 968 330

##### Property rates

Audited balance	- 35 294 654
Correction of error	- (6 628 181)
	- 28 666 473

#### 45. Risk management

##### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

##### Capital risk management.

The municipality's objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 12, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 45. RISK MANAGEMENT

#### (CONTINUED) LIQUIDITY RISK

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Consumer deposits	2 085 697	2 149 309
Trade payables from exchange transactions	53 429 154	28 316 418
Current portion of loans	3 850 735	3 581 239
Non-Current portion of loans	2 804 636	4 312 039
	<u>62 170 222</u>	<u>38 359 005</u>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by council.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	7 166 587	450 470
Trade and other receivables from exchange transactions	104 458 013	91 462 461
Trade and other receivables from non-exchange transactions	85 042 417	71 020 812

#### Market risk:

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 46. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 47. EVENTS AFTER THE REPORTING DATE

There were no material non-adjusting events that came to the attention of management after the reporting date.

### 48. Unauthorised expenditure

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

<b>Opening balance</b>	<b>16 177 098</b>	<b>16 177 098</b>
<b>Current year expenditure</b>	<b>-</b>	<b>1</b>
<b>Opening balance as restated</b>	<b>16 177 098</b>	<b>16 177 099</b>
<b>Closing balance</b>	<b>16 177 098</b>	<b>16 177 099</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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### 48. UNAUTHORISED EXPENDITURE (CONTINUED)

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure will be tabled in a special adjustment budget when the annual report is tabled in accordance with section 23(6) of the Budget and Reporting Regulations. Despite the significant overspending on some of the votes, the total expenditure exceeded the budget by an insignificant amount.

### 49. Fruitless and wasteful expenditure

Opening balance	1 546 858	1 123 416
Opening balance as restated	1 546 858	1 123 416
Add: Current year-interest and penalties	183 342	423 442
Closing balance	1 730 200	1 546 858

The fruitless and wasteful expenditure incurred during the current year has not yet been presented to council. The following incidents occurred in the previous year and have not yet been finalised.

Fruitless and wasteful expenditure relates to interest and penalties on late payments.

# uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 49. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Interest on late payments	Disciplinary steps taken/criminal proceedings		
Payment for refuse drums	Reported to council	183 342	423 442
Payment for accommodation	Handed over to lawyers for collection	-	342 341
	Handed over to lawyers for collection	-	781 075
		<b>183 342</b>	<b>1 546 858</b>

### 50. Irregular expenditure

Opening balance as previously reported	121 037 759	82 775 143
Prior year irregular expenditure identified in the current period	801 031	1 546 314
Awards to persons in service of the state	121 838 790	84 321 457
Awards to persons in service of the state	-	1 007 136
Acting period exceeding legislated timeframe	-	93 355
Overtime exceptions	-	145 886
SCM processes not followed	3 752 973	35 469 925
Closing balance	125 591 763	121 037 759

Incidents/cases identified in the current year include those listed below:

SCM processes not followed	Disciplinary steps taken/criminal proceedings		
Overtime exception	Reported to council	3 752 973	37 016 239
Acting period exceeding legislated timeframe	Reported to council	-	145 886
Award to persons in service of the state	To be reported to council	-	93 335
	Reported to council	-	1 007 136
		<b>3 752 973</b>	<b>38 262 596</b>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

2019

2018

### 50. IRREGULAR EXPENDITURE

#### (CONTINUED) CASES UNDER

#### INVESTIGATION

The councillors referred the irregular expenditure incurred prior to 2016/17 to MPAC for investigation . The irregular expenditure for the current year has been presented to council on a quaterly basis.

Management is still in the process of quantifying the full extent of items to be included

#### 51. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Opening balance	-	69 374
Current year subscription / fee	891 030	713 000
Amount paid - current year	(810 750)	(782 374)
	80 280	-

##### Electricity losses

Units purchased - current year	28 936 801	28 943 327
Units sold - current year	(25 628 334)	(27 152 291)
	3 308 467	1 791 036

##### Electricity losses in Rands comprises of: Electrical losses

3 204 629      1 570 259

##### Percentage loss: Electrical losses

11      6

The municipality purchased 28 936 801 units (2018: 28 943 327 units) from Eskom and sold 25 628 334 units (2018: 27 152 291 units) to consumers. This represents a loss of 3 308 467 units ( 2018: 1 791 036 units) which equates to R3 204 629 (2018: R1 570 259) and translates to a percentage loss of 11.4% (2018: 6.2%). The electricity losses are as a result of technical losses and illegal connections.

##### Audit fees

Opening balance	-	21 572
Current year subscription / fee	1 565 680	1 563 214
Amount paid - current year	(1 565 680)	(1 584 786)
	-	-

##### PAYE, SDL and UIF

Opening balance	1 924 699	2 158 941
Current year subscription / fee	14 915 407	13 897 976
Amount paid - current year	(15 594 696)	(14 132 218)
	1 245 410	1 924 699

## **uPHONGOLO Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Pension and Medical Aid Deductions**

Opening balance	1 642 802	1 002 797
Current year subscription / fee	14 579 079	13 975 309
Amount paid - current year	(15 807 207)	(13 335 304)
	<u>414 674</u>	<u>1 642 802</u>

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

2019

2018

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### Figures in Rand

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#### 51. Additional disclosure in terms of Municipal Finance Management Act

##### (continued) VAT

##### VAT receivable

1 621 626

1 563 752

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All VAT returns have been submitted by the due date throughout the year.

##### Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019 and 30 June 2018

#### 52. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

##### Section 36 Deviations

##### Sole supplier -s36(1)(a)(ii)

98 961

726 709

##### Impractical or impossible to follow the official procurement process -s36(1)(a)(v)

-

1 200

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98 961

727 909

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#### 53. Budget

Material differences was considered for variances above 10% in the budget statement.

##### Expenditure

Depreciation and amortisation increased due to completed projects that were realised from Work-in-progresses.

Debt impairment decreased due to the qualifying indigents households that were excluded in the calculation of the provision.

The increase in contracted services is attributable to increased VIP protection expenditure, Implementation of MSCOA regulation, grass-cutting services.

Transfers and subsidies decreased due to Council resolved to stop providing the free basic services until the indigent register is finalised.

## uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 54. RECLASSIFICATION

Incorrect recognition of leave payout and unwinding of the interest relating to the landfill site.

	AS PREVIOUSLY RECLASSIFIED		
	reported	on	TOTAL
Employee related costs	74 016 150	452 593	74 468 743
Contribution to provision	789 421	(789 421)	-
Finance costs	1 414 127	336 828	1 750 955
	<b>76 219 698</b>	<b>-</b>	<b>76 219 698</b>